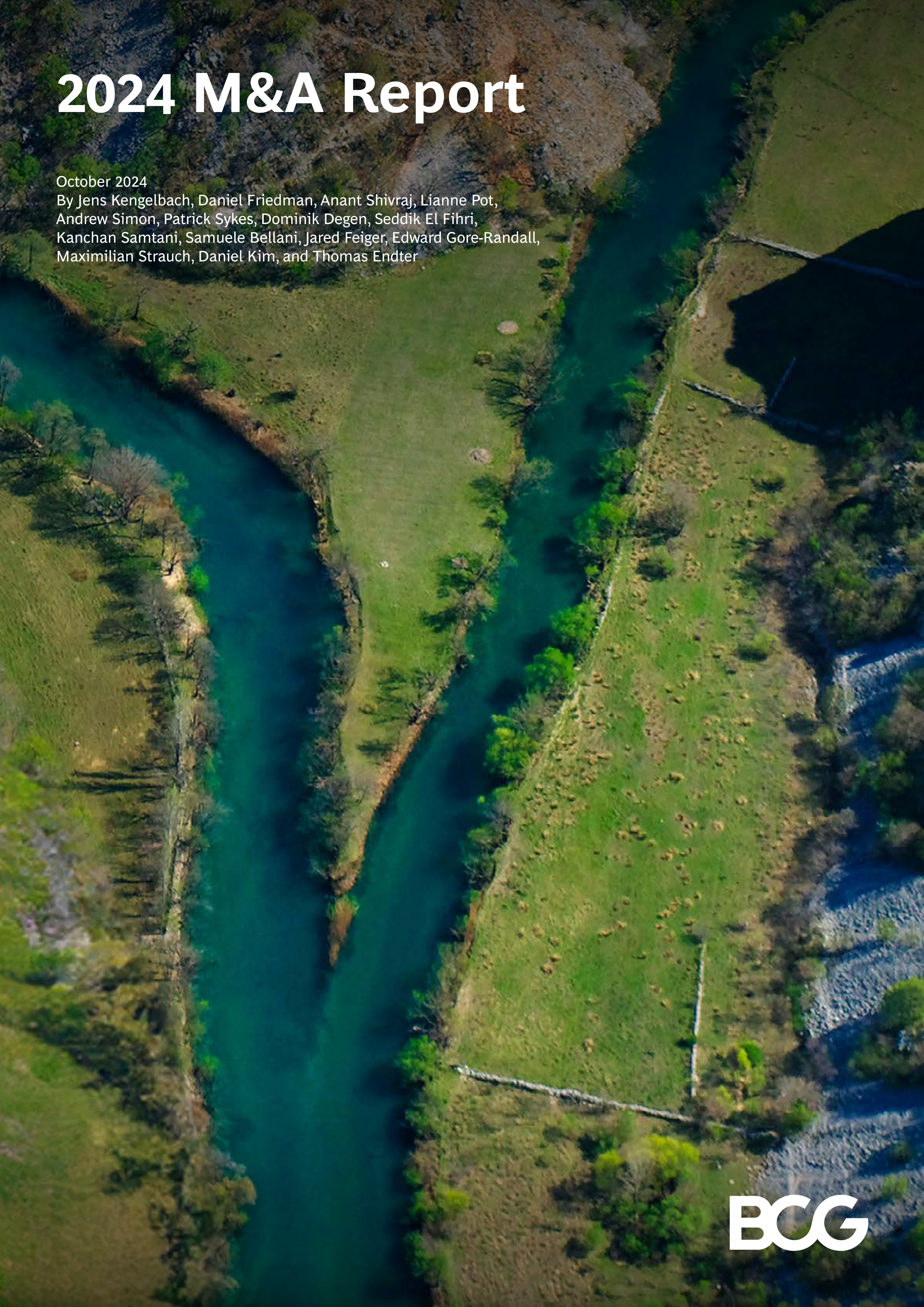

2024 M&A Report

October 2024

By Jens Kengelbach, Daniel Friedman, Anant Shivraj, Lianne Pot, Andrew Simon, Patrick Sykes, Dominik Degen, Seddik El Fihri, Kanchan Samtani, Samuele Bellani, Jared Feiger, Edward Gore-Randall, Maximilian Strauch, Daniel Kim, and Thomas Endter

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Introduction

BCG's 2024 M&A Report has four parts:

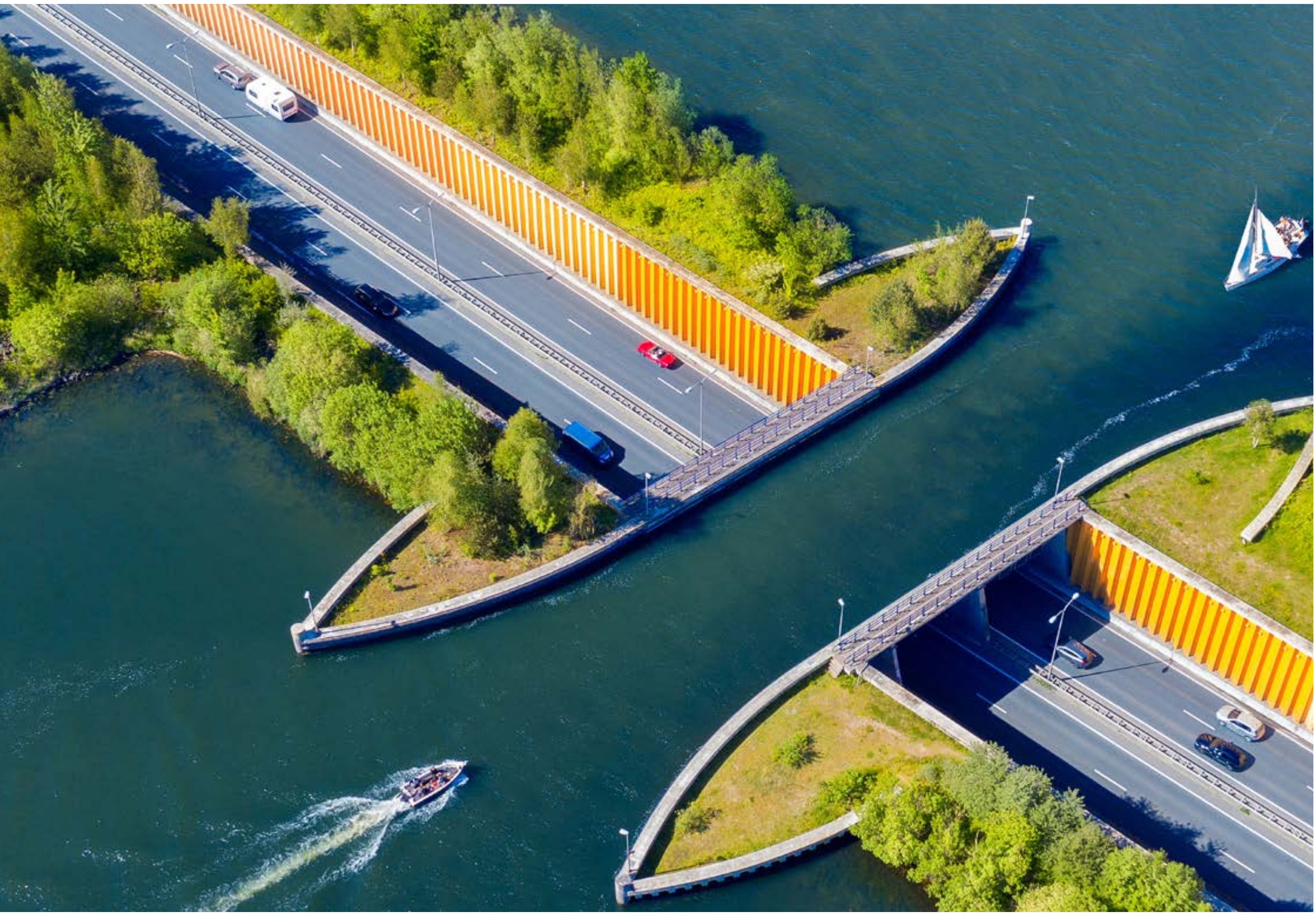
- **Early Signs of a Recovery.** So far, 2024 has fallen short of expectations for a strong resurgence in M&A activity. Dealmakers' hesitancy is understandable, considering the challenges involved in navigating today's complex political and macroeconomic landscapes. Even so, major trends—including energy transformation, digitization, and the rising importance of AI—will continue to propel the M&A market.

- **The Regional Perspective.** Regional M&A dynamics have led to mixed results in 2024. To gain clarity, we asked BCG experts in seven regions to describe the state of play in their M&A market and share insights about near-term deal drivers.

- **Is Your M&A Organization Built to Win?** BCG collaborated with global dealmakers to study the common pitfalls and success factors involved in setting up M&A organizations. We found that building effective M&A teams depends on making the right choices in several key areas. Companies must tailor their design choices across these topics on the basis of a detailed understanding of the pros and cons.

- **Regulatory Scrutiny is Delaying Deals. How to Respond.** A recent BCG study found that the time from signing to closing has been increasing, particularly for larger M&A transactions. Many deals failed to meet their projected timelines, often due to regulatory complexities and the intricate nature of the deals themselves. Deals with higher announced synergies also faced longer closing periods, as these typically attract heightened regulatory scrutiny. To account for timing uncertainty, companies must adapt their processes and priorities during both the presigning phase and the integration planning phase.

By prioritizing these insights in their M&A strategy and carefully managing the complexities of planning and execution, proactive dealmakers can position themselves for success.



Early Signs of a Recovery

So far, 2024 has fallen short of expectations for a strong resurgence in M&A activity, as instead a slow recovery persists. Many dealmakers remain cautious, either staying on the sidelines or tentatively dipping their toes in the water. Their hesitancy is understandable, considering the challenges involved in navigating today's complex political and macroeconomic landscapes. Nevertheless, some dealmakers—most notably those in industries undergoing significant transformations—are forging ahead with their M&A strategies.

Amid global economic turbulence, M&A activity has been a mixed bag. The year began with a modest comeback in dealmaking, followed by a sluggish second quarter and, more recently, a volatile return to average activity levels. During the first nine months of 2024, global aggregate M&A value increased by approximately 10% compared with the same period last year.

BCG's M&A Sentiment Index continues to show signs of a strengthening market, albeit slowly and steadily. We anticipate increased activity in the coming months, with dealmakers in the US and Europe leading the charge. Most industries will participate in the recovery, especially those in the energy, technology, and health care sectors. Fundamental factors, such as economic growth and political and regulatory conditions, will surely remain volatile. Even so, major trends, including energy transformation, digitization, and the rising importance of AI, will continue to propel the M&A market.

A Steady but Slow Recovery

Globally, M&A activity remains below historical norms—and particularly in comparison with recent years, including the deal frenzy of 2021. However, activity has rebounded since the low point observed during the second half of 2022 and the first three-quarters of 2023. (See Exhibit 1.) Through the first nine months of 2024, companies announced deals totaling approximately $1.6 trillion, spread across approximately 22,400 transactions. This represents a 10% increase in deal value versus the same period in 2023.

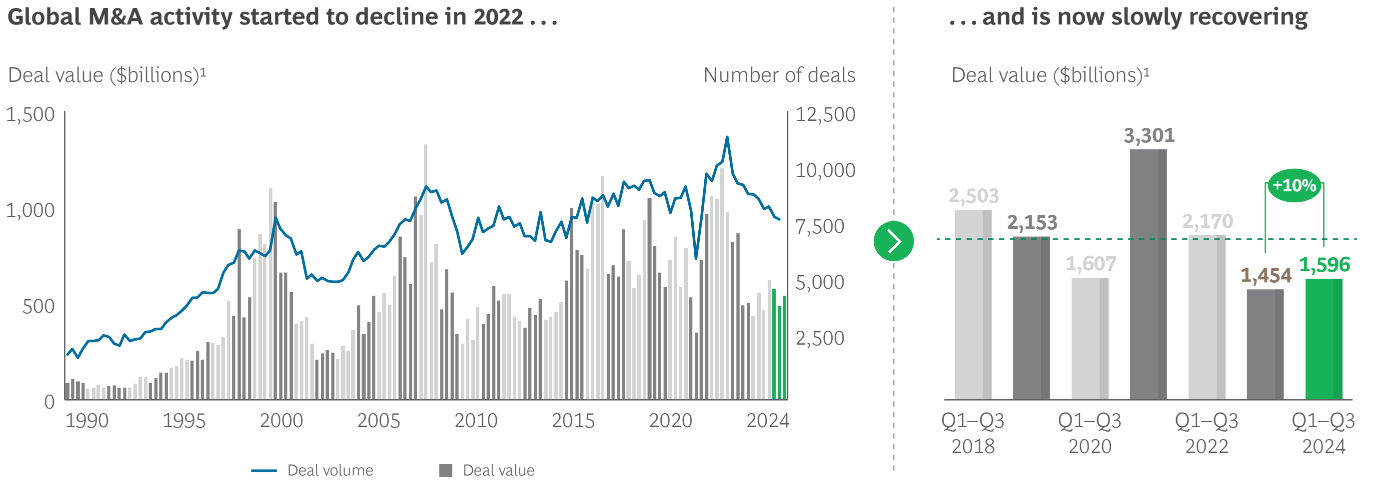
This positive but slow momentum aligns with our BCG M&A Sentiment Index, which has indicated higher but still below-average deal activity for most of 2024. However, our index continues to climb steadily, particularly in North America and Europe. It also shows a promising trajectory for most industries. The outlook is especially bright for the technology, energy and utilities, and health care sectors, while the consumer and industrial sectors continue to lag.

Regionally, North America has been the most active area, followed by Europe. The dealmaking slump has continued in Asia-Pacific and Africa. (See Exhibit 2.)

- Deals involving targets in the Americas had a total value of $958 billion, an increase of approximately 13% versus the first nine months of 2023. The vast majority (worth $877 billion) involved targets in North America, which accounted for 55% of overall global M&A activity. US companies acquired most of these targets. Deal value in South America and Central America declined by 24%.
- The value of European M&A totaled $353 billion, a 14% increase compared with the first nine months of last year. Deal value in the UK increased by 131%, resulting in the country's highest share of European dealmaking since 2015. Deal value also increased strongly in Sweden (111%), the Czech Republic (68%), and France (29%), driven by a few larger deals. In contrast, aggregate deal value was significantly lower than during the same period last year in Germany (–52%), Austria (–34%), Switzerland (–31%), and Italy (–25%).
- In Africa, the Middle East, and Central Asia, the aggregate deal value was 7% lower than during the same period last year.
- Deal value in Asia-Pacific declined by 5% to a ten-year low of $263 billion. Declines in China (–41%) and Australia (–7%) were major factors in the lower regional total. There were bright spots, however, including Malaysia (132%), India (66%), Singapore (48%), Japan (37%) and South Korea (10%).

Among the most active sectors in improved year-to-date deal value compared with the same period last year were financial institutions and real estate (35% increase), technology, media, and telecommunications (36% increase), and energy and power (14%). BCG's M&A Sentiment Index suggests that these sectors will continue to drive M&A activity in the coming months.

Exhibit 1 - Global M&A Activity Shows Early Signs of Recovery



Sources: Refinitiv; BCG analysis.

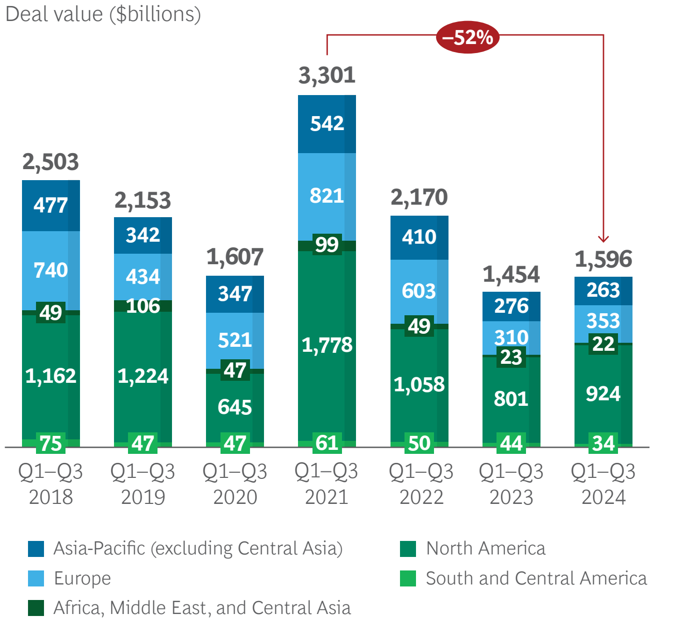
Note: Announced M&A transactions comprise pending, partly completed, completed, unconditional, and withdrawn deals, with no transaction size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded.

[1]Deal value includes assumed liabilities.

Exhibit 2 - Year-to-Date Deal Value Has Slightly Increased Compared with the Same Period Last Year

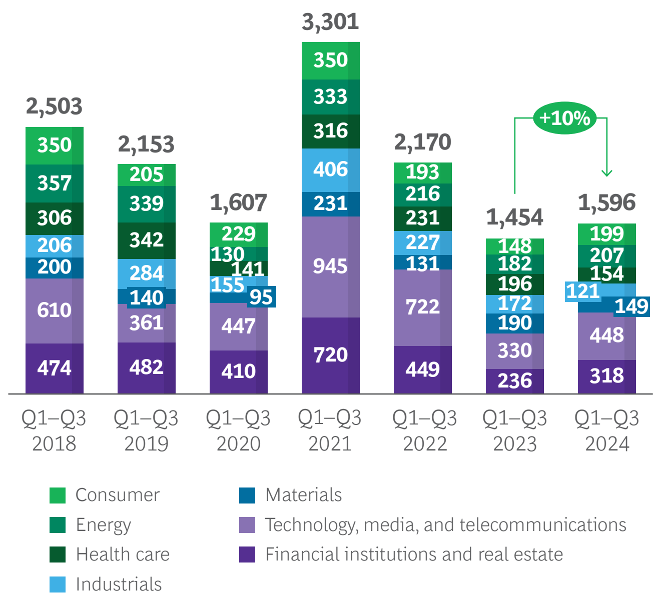
M&A value by acquisition target's region

Deal value ($billions)



M&A value by acquisition target's sector

Deal value ($billions)



Sources: Refinitiv (data as of Oct 4, 2024); BCG analysis.

Note: Announced M&A transactions comprise pending, partly completed, completed, unconditional, and withdrawn deals, with no transaction size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded.

The consumer sector had one of the largest percentage gains in aggregate deal value—a 35% increase—a first sign of recovery from its previous trough of sluggish activity. Still, this renewed strength reflects not a broad-based increase in deals but a few recent very large deal announcements, such as the intended acquisition by Canada's Alimentation Couche-Tard of Japan-based Seven & i Holdings, valued at $38.7 billion, and in the US, Mars Inc.'s bid for Kellanova, valued at $29.7 billion. If completed, these transactions would be the consumer sector's largest deals in recent years.

The number of large M&A deals (those valued at more than $500 million) typically serves as a good indicator of overall M&A health. (See Exhibit 3.) The market for large deals was very active in 2021 and 2022, fueled in part by the surge in mergers involving special-purpose acquisition companies (SPACs). Since then, the market has cooled, often settling at the lower end of the average range of 60 to 80 deals per month. This decline aligns with a drop in overall business confidence, reflecting the challenging economic environment.

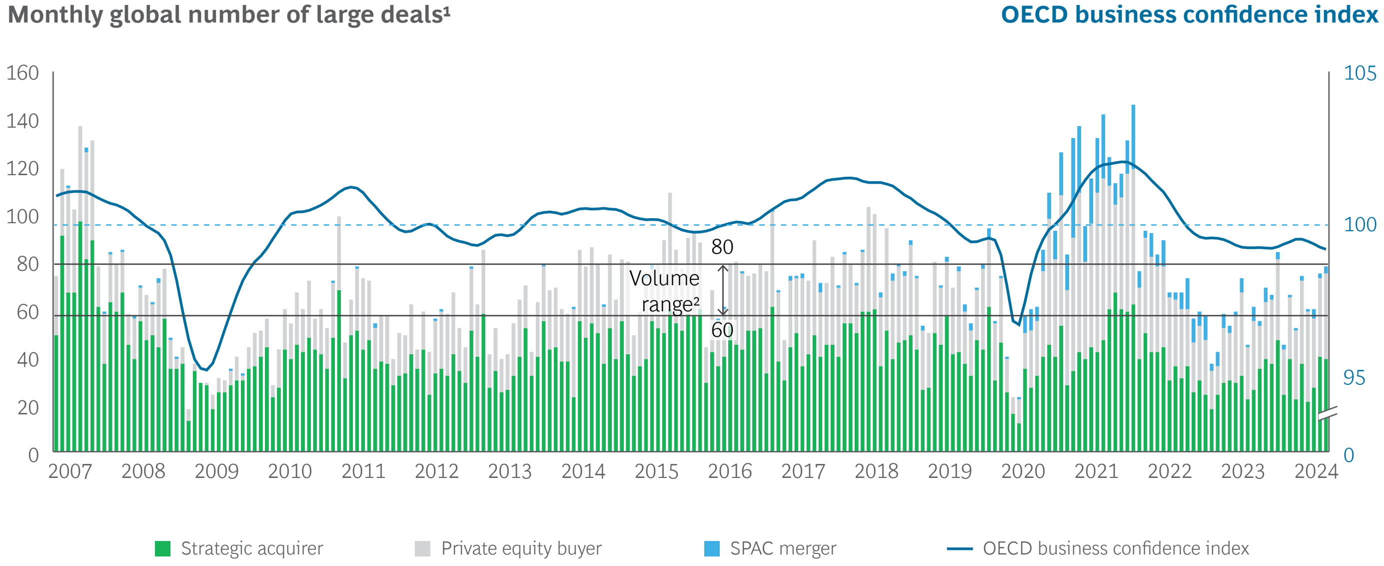
The number of megadeals (those valued at more than $10 billion) has not matched the levels seen in 2022 and 2023. Companies reported only 17 megadeals in the first nine months of 2024, compared with 28 and 20 during the same period in 2022 and 2023, respectively.

Private Equity Dealmaking Is Resurgent

Private equity (PE) firms' dry powder—cash reserves or liquid assets available for new investments—reached a record $2.1 trillion at the end of September 2024, fueling the resurgence of PE dealmaking. (See Exhibit 4.) Conditions are favorable, as firms need to deploy this capital at the same time that interest rates are declining and valuation gaps between sellers and buyers are narrowing. So far in 2024, the two most active sectors for PE investments have been technology, media, and telecommunications and financial institutions and real estate.

Although the second quarter of 2024 saw an uptick in global venture capital funding—particularly in North America and Europe—venture capital activity has not yet fully recovered and remains far below the level of 2021. Even so, companies involved in artificial intelligence (AI) continue to attract significant investments, despite continuing concerns about a crowded market, high valuations, and uncertain growth prospects.

Exhibit 3 - Large-Deal Activity Remains at the Lower End of the Average Range



Sources: Refinitiv; OECD; BCG analysis.

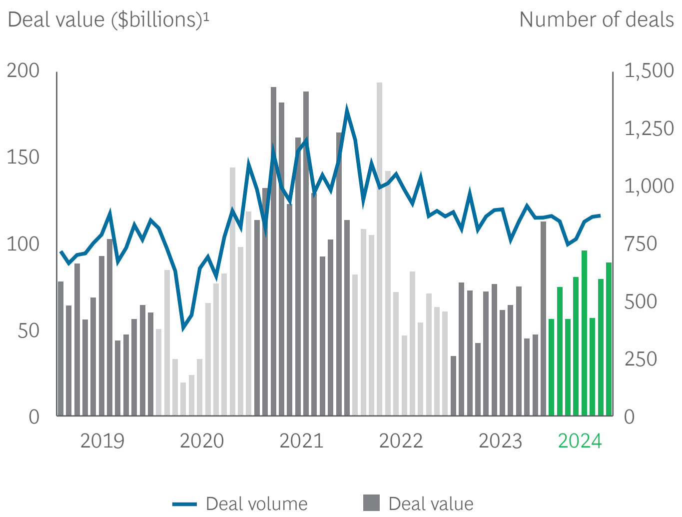
Note: Announced M&A transactions comprise pending, partly completed, completed, unconditional, and withdrawn deals, with deal values greater than or equal to $500 million. SPAC = special-purpose acquisition company.

[1]Large deals have values greater than or equal to $500 million. Deal values include assumed liabilities.

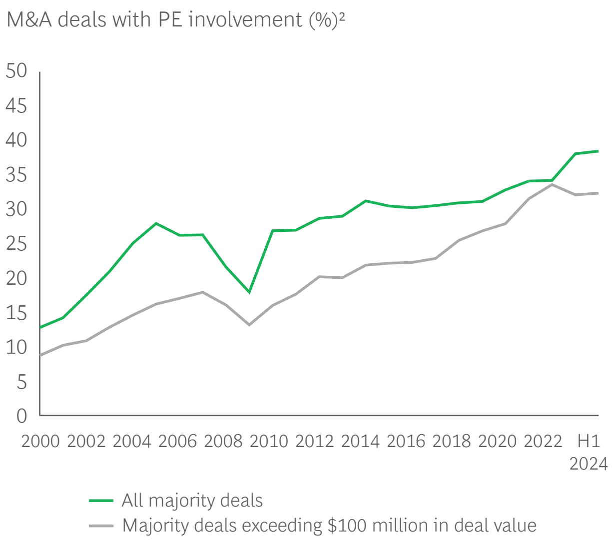
[2]Volume range is an estimate of the normal range of M&A activity across the entire period tracked in this exhibit.

Exhibit 4 - Private Equity Dealmakers Are Back at the Table

PE deal activity has rebounded in 2024



PE continues to gain share in the M&A market



Sources: Refinitiv; BCG analysis.

Note: PE deal activity includes buy-side and sell-side involvement of financial sponsors. PE = private equity.

[1]Deal values include assumed liabilities.

[2]Based on M&A deals with majority ownership change.

Collaborative Ventures Continue to Gain Popularity

Although their motivations may vary, many dealmakers are considering collaborative ventures, which they regard as an important strategic tool. Companies announced several sizable joint ventures and partnerships in 2024. Notably, established companies are collaborating with each other, startups and technology firms, and PE players. Here are four examples:

- In India, The Walt Disney Co. and Reliance Industries received conditional regulatory approval for an $8.5 billion merger of their Indian media assets into a joint venture creating India's largest entertainment company.

- German automaker Volkswagen agreed to invest in US-based electric vehicle (EV) maker Rivian to form a joint venture aimed at developing and sharing EV architecture and software. The anticipated investment is expected to reach up to $5 billion over the coming years.

- In the US, KKR and T-Mobile US joined forces to acquire subscription programming services provider Metronet Holdings in a deal valued at $4.9 billion.

- In the materials sector, BHP and Lundin Mining teamed up to acquire Canadian Filo and form a 50-50 joint venture. The collaboration seeks to advance the Filo del Sol and Josemaria copper projects. The value of the deal is $3.2 billion.

Conditions May, on Balance, Foster Momentum

Dealmakers must contend with several short-term headwinds. These include uncertainty caused by recent and upcoming elections, the pace of interest rate cuts, the potential for an economic slowdown, and elevated market volatility. Longer-term concerns include evolving climate regulations, stricter antitrust laws, the fragmentation of global trade, and geopolitical tensions and conflicts.

The increasing influence of regulation and policy changes on M&A activity is noteworthy, too. Traditional antitrust regulations often complicate larger deals. In some cases, antitrust scrutiny promotes dealmaking because companies often use divestitures to address these concerns. Dealmakers face further challenges related to foreign direct investment regulations, national security concerns, and sanctions. In addition, M&A processes are now subject to greater scrutiny owing to data and privacy protection laws, cybersecurity issues, and ESG and climate change regulations. The impact of these factors varies significantly by country.

Meanwhile, on the positive side, dealmakers benefit from several tailwinds. Most of the year's major elections, including those in the EU, France, the UK, and India, are behind us, giving greater clarity to the political outlook. In addition, many companies have healthy balance sheets, with cash ready to be deployed in deals. Moreover, as mentioned above, PE firms have record levels of dry powder available.

Valuation levels have recovered as well. The current S&P 1200 price-to-earnings ratio is 24.5x, versus 15.5x in October 2022, and the price expectations of buyers and sellers have largely aligned. Furthermore, as inflation comes under control, interest rates are dropping.

Taken together, these tailwinds could build momentum in deal activity—especially as business confidence and sentiment gain strength.

Trends Promote M&A over the Long Term

Over the long term, several trends will continue to foster an M&A recovery:

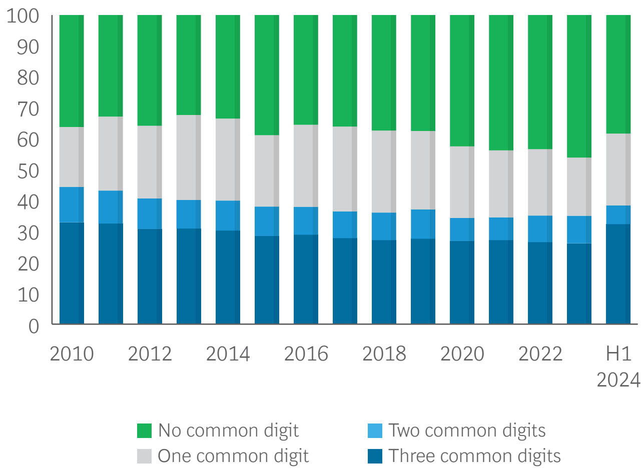
- **Transformations.** Staying the course is not an option in an era of technological advances, geopolitical tensions, and economic uncertainty. Continuous development and transformation are necessary to counter challenges arising from new customer behaviors, supply chain disruptions, the energy transition, and evolving regulatory frameworks. For many executives, gaining and retaining competitive advantage and building resilience are top priorities. M&A and divestitures are essential tools for transforming companies, and their importance will only increase. We expect to see more transformational deals, including those involving assets outside the company's core business. (See Exhibit 5.) On the buy side, this involves acquiring for growth, efficiency, technology, or talent. On the sell side, it means divesting underperforming business units or noncore assets.

- **Climate and Sustainability.** Green deals that pursue climate and sustainability objectives gained steam over the past decade. Although the focus on ESG issues has waned somewhat—particularly in North America—they remain firmly on CEO agendas. The ongoing energy transition, decarbonization, the rise of the circular economy, and broader concerns about social impact are influencing companies across all sectors. Acquisitions and divestitures are valuable tools for achieving strategic goals related to these challenges.

Exhibit 5 - Transformational and Green Deals Remain Popular

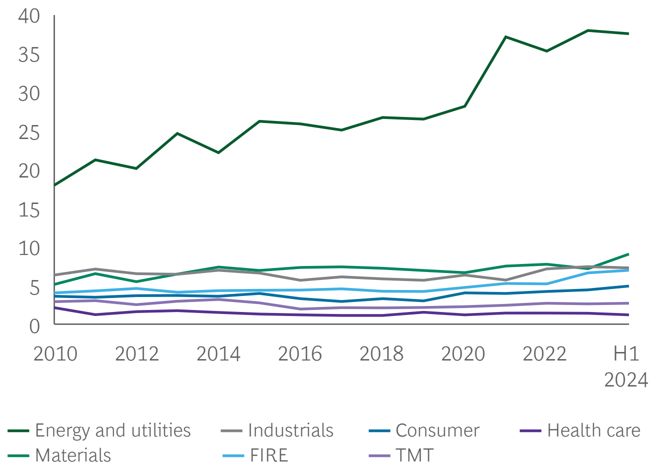
There is a long-term trend toward noncore acquisitions, despite a recent reversal

Deals considering the similarity of the primary SIC code of the acquirer and target (%)



Green deals are still on the agenda

Green deals in the acquirer's industry (percentage of all deals in the respective industry)



Sources: Refinitiv; BCG analysis.

Note: Data covers majority deals exceeding $100 million in value. We use SIC codes to measure the distance between the target's industry and the acquirer's core business. FIRE = financial institutions and real estate; SIC = standard industrial classification; TMT = technology, media, and telecommunications.

- **Sector-Level Considerations.** Global trends affect different sectors to varying degrees. For example, ongoing energy transition and decarbonization efforts are especially influential in the energy, power, materials, and automotive sectors. On the other hand, the continuously evolving regulatory landscape and increased antitrust scrutiny are of special concern to large tech and pharma companies as they continue to grow.

- **Digitization and AI.** The ongoing push for digitization remains a major driver of deals. Recent advances in generative AI (GenAI) and robotics, in particular, will continue to fuel M&A activity as companies pursue emerging technological solutions and tech-enhanced capabilities. In this context, "acquihire" deals—in which the acquirer's primary goal is to gain access to a company's highly skilled employees—are likely to become more common. AI is also likely to transform the way deal M&A teams operate and manage their activities. To keep pace with ongoing advances, dealmakers must consider how to integrate AI into their work. (See "Applying AI in Dealmaking.")

Exercising caution in today's environment is understandable, but it does not excuse a lack of preparation. Dealmakers should take the opportunity to refine their strategies, identify suitable targets, build the right M&A teams and organizations, and invest in new technologies for deal execution. Now is also the ideal time to prepare for being a target when dealmaking picks up, such as by prepackaging carve-outs.

For bold dealmakers, doing deals now—when the market is not at its peak and valuations have not returned to their heights—provides more time to ensure that transactions align closely with long-term strategy, often resulting in higher returns. As always, dealmakers should maintain a strong focus on the value creation thesis, especially synergies and related integration implications.

In this period of relative calm, proactive preparation will differentiate dealmakers who are ready to navigate the complexities of the market from those who are at risk of being caught off guard. The next wave of M&A is building—and the companies that prepare for it now will be the ones leading it.

Applying AI in Dealmaking

Already, numerous AI-enabled tools are available to support the M&A process. For example, digital search tools enable better and faster identification of potential acquisition targets, and program management tools support integration and separation. Dealmakers can also use virtual data rooms with advanced functionality, such as AI-based contract redaction and information extraction. Increasingly, such tools are incorporating AI and GenAI capabilities.

During due diligence, advanced analytics and machine learning-based methods can provide insights by processing large amounts of structured and unstructured data, leading to faster and more accurate decision making. AI can also assist with various aspects of business planning, financial modeling, and valuation. The increased speed that AI-powered tools bring to tedious tasks such as document review offers a clear indication of the technologies' potential impact and its future role in dealmaking.

Overall, AI-based technologies should significantly enhance productivity, and dealmakers are understandably eager to capitalize on these efficiency gains. Beyond applying technology, success requires finding and retaining the right talent and investing in developing the necessary skills among deal team members.

The Regional Perspective

In 2024, caution has been the prevailing theme for many dealmakers worldwide. Although the market has recovered from its late-2023 lows, a strong resurgence in M&A activity has yet to materialize as companies navigate complex political and macroeconomic landscapes.

BCG's M&A Sentiment Index suggests that there will be greater dealmaking activity for the remainder of the year. The index continues to climb slowly but steadily, particularly in North America and Europe. However, global deal volume will probably still be below the long-term average.

To better understand the regional dynamics at work, BCG asked experts in seven regions to describe the current state of their M&A markets and share insights on the near-term drivers of deal activity. Here are their perspectives:

The Africa Perspective by Seddik El Fihri

Dealmaking in Africa has stabilized in 2024, ending the downward trend that followed the post-pandemic peak in 2021. Larger-than-usual deals are the primary drivers of this stabilization, even as deal volume remains significantly below historical levels.

During the first nine months of 2024, the total value of deals in Africa rose by 36% compared with the same period in 2023, outpacing the global increase of 10%. However, the number of deals on the continent held steady year over year, compared with the global reduction of 13%. Together, these figures point to a significant rise this year in the average deal size across Africa.

Within the broader trend toward stabilization, several sectors have witnessed significant transactions:

- **Media.** One of the most notable deals in the region this year was the $1.8 billion bid by Canal+, a French media group, to acquire South African TV broadcaster MultiChoice Group.

- **Energy.** Energy deals continue to be a cornerstone of African M&A. Standout deals in 2024 include Renaissance's $2.4 billion acquisition of Shell Petroleum Development Nigeria and Carlyle's $820 million buyout of Energean's Egyptian and Mediterranean assets. Carlyle's acquisition is part of a broader strategy to build an integrated gas exploration and production company in the region.

- **Materials.** The materials sector remains active, with larger deals focused on gold mining. For instance, Gold Fields acquired Osisko Mining for $1.3 billion. One notable non-mining deal is Savannah Clinker's bid for Kenya-based Bamburi Cement for $150 million.

So far in 2024, South Africa has recorded the continent's highest deal value (a total of $3.5 billion), primarily attributable to Canal+'s acquisition of Multichoice Group. Nigeria follows closely at $3.4 billion and Egypt ranks third at $913 million. In terms of transaction volume, South Africa leads with 118 deals, well ahead of Morocco (28), Nigeria (25), Egypt (22), and Kenya (18). South Africa was also the continent's most active market in 2023, followed by Egypt.

Private capital has played a significant role in African dealmaking throughout 2024. Carlyle's acquisition in the energy sector, noted above, could be a sign that big private equity firms are interested in reentering the African market. In addition, Hennessy Capital's $530 million bid for Zimbabwean Namib Materials highlights how the African market is increasingly attracting international private capital.

Looking ahead, BCG's M&A Sentiment Index indicates stable sentiment among dealmakers globally. In Africa, several key factors will shape the prospects for M&A:

- **Securing Materials for Sustainable Technologies.** Demand is increasing for rare-earth elements and other materials that play a central role in the global shift toward sustainable technologies. As a result, we expect to see an increase in dealmaking that focuses on securing access to these vital resources throughout Africa.

- **Rising Interest from Non-African and Financial Players.** Non-African buyers or financial investors are executing a growing number of deals that involve African targets. Currently, inbound deals account for well over half of all transactions—a sharp increase from several years ago when most deals were between regional players. In part. this trend reflects the increasing presence of Chinese buyers on the continent. At the same time, financial sponsors, including private equity firms and sovereign wealth funds, are showing heightened interest in African opportunities.

- **Increasing Activity in South Africa.** Dealmaking in South Africa is set to accelerate, buoyed by optimism about the country's macroeconomic outlook following recent election results. This positive sentiment is attracting both local firms with available cash and international investors. In addition, the potential for lower interest rates and favorable valuations—especially for distressed companies in need of capital—is further drawing investors to the country.

- **Rapidly Developing African Economies.** As the region's economies continue to grow, local companies will use strategic deals to close gaps in their value chains and capabilities. For example, companies must strengthen local infrastructure and logistic networks to keep pace with consumers' rising purchasing power and evolving demands. And competition for technological assets and talent may drive further M&A.

- **Increasing Risk of Slowing Growth.** Slower-than-anticipated global economic growth is tempering regional enthusiasm for M&A. Consequently, companies may adopt a more cautious stance, choosing to observe market conditions carefully before committing to significant transactions.

We expect these factors to provide continued support for M&A activity in Africa and to attract increased interest from foreign investors. Even so, the dealmaking landscape is likely to remain volatile, driven by sporadic large deals and concentrated activity in the continent's more advanced economies.

The Germany Perspective by Jens Kengelbach

German M&A activity has been sluggish in 2024, continuing a prolonged slowdown that began in the latter half of 2022. The early signs of a dealmaking recovery that have appeared globally and in the rest of Europe are just beginning to become noticeable in the continent's largest economy.

During the first nine months of 2024, German deal value was 52% lower than during the same period in 2023. In contrast, deal value increased by 10% globally and by 14% in Europe overall. The number of deals in Germany declined by 19%, versus 13% globally and 15% in Europe overall. As a result, M&A activity in Germany continues to trail its long-term averages.

Despite the prevailing sluggishness, dealmaking in Germany's industrial, financial, and energy sectors has been relatively robust in 2024, particularly for larger transactions:

- **Industrial.** Industrial companies have been central to Germany's dealmaking activity in 2024. One highlight is Bosch's $8.1 billion acquisition of a residential and light commercial HVAC business jointly owned by Johnson Controls and Hitachi. That purchase represents Bosch's largest deal to date. Another notable transaction is Knorr-Bremse's $700 million acquisition of Alstom's North American rail signaling business.

- **Financials.** Rising interest rates have spurred M&A activity in Germany's financial sector. Key deals include ABN Amro's $700 million acquisition of private bank Hauck Aufhäuser Lampe, and Allianz's $1.8 billion sale of its US middle-market commercial lines and entertainment insurance businesses to Arch Insurance North America.

- **Energy.** The ongoing energy transition continues to spur deals involving green energy sources in Germany. A standout transaction is the $3.1 billion acquisition of renewables company Encavis by a consortium led by KKR and Viessmann, a heating and energy solutions provider.

Private equity firms have executed several high-profile deals in Germany. A notable transaction is KPS Capital Partners' $3.8 billion acquisition of Innomotics, a carve-out from Siemens. Elsewhere, CDPQ and TPG Capital joined forces to purchase Aareon from Aareal Bank and Advent International for $4.2 billion.

Looking ahead, BCG's M&A Sentiment Index for Europe indicates stable sentiment among dealmakers in the region, as decreasing interest rates are offset by a more cautious economic outlook.

Dealmakers in the European Union are navigating a challenging regulatory environment, marked by recent interventions in the areas of antitrust and foreign investment. These challenges are evident in the increasing time required to close deals. A BCG study found that the average closing time for EU-based deals was 234 days in 2022—a 54% increase since 2018. For deals exceeding $10 billion in value, closing times rose by 22% during the period from 2018 through 2022, averaging 279 days—2.5 months longer than the average for all deals.

Amid persistent market volatility and macroeconomic and geopolitical uncertainty, we see several catalysts for M&A activity in Germany:

- **Energy Transition.** The ongoing need to invest in European energy independence and the shift to renewable energy will influence various sectors and continue to shape dealmaking.

- **Automotive Transition.** The automotive industry's shift to new technologies will necessitate dealmaking and other forms of collaboration within and outside the industry. A notable example is Volkswagen's recent investment to form a joint venture with EV maker Rivian Automotive.

- **Digital Competencies.** Companies will pursue deals to acquire digital and technological competencies, particularly in response to the rising importance of GenAI-driven innovations. An example is SAP's $1.4 billion acquisition of WalkMe, a business-transformation software company.

The bottom line: despite short-term challenges, M&A activity in Germany is showing the first signs of cautious recovery, as companies utilize M&A to adapt to new business models and technological demands.

The India Perspective by Kanchan Samtani

M&A activity in India has been strong in 2024, bucking the trend in other Asia-Pacific markets. This robust performance marks a reversal of the sharp decline in deal-making that the country experienced from mid-2022 through 2023.

In the first nine months of 2024, Indian deal value surged by 66% compared with the same period in 2023, supported by large deals. In comparison, deal value rose by only 10% globally and declined by 5% in the Asia-Pacific region overall. Deal volume in India declined by 3%, but not as sharply as it did globally (13%) or in the Asia-Pacific region as a whole (13%).

Activity involving large deals in India was led by several sectors:

- **TMT.** Targets focused on technology, media, or telecommunications accounted for 40% of the total deal value during the first nine months of 2024. In one of the largest media deals, Viacom 18 Media agreed to merge with Star India, a provider of subscription programming services. Star India was owned by 21st Century Fox, which is controlled by Disney. The deal, now approved by regulators, is valued at $3.1 billion. In the technology sector, Nidar Infrastructure, a provider of data processing and hosting services, went public by reverse-merging with Cartica Acquisition Corp. The deal is valued at $2.8 billion.

- **Industrials.** Despite cautious global sentiment, industrial companies continue to lead Indian dealmaking in 2024. A noteworthy example is ACC-Ambuja Cement's acquisition of Penna Cement for $1.3 billion. The deal is aimed at helping the Adani Group, the acquirer's owner, pursue its ongoing infrastructure requirements.

- **Health Care.** Health care targets remain an important focus in 2024, driven primarily by domestic deals as companies strive to maintain their leadership positions. Notably, Mankind Pharma announced the $1.6 billion acquisition of Bharat Serums & Vaccines, aiming to establish itself as the market leader in the women's health and fertility segment.

Technology continues to be a central M&A theme as India's strengthening relations with the US and Europe coincide with ongoing regulatory tensions between China and the West. Capitalizing on the "Make in India" initiative, Apple has announced plans to produce one-quarter of its iPhones in India by 2030. At the same time, AI continues to gain prominence, with the Indian government positioning the country as a global hub for AI and digital technologies.

Private equity players made several other prominent Indian deals. Examples include Advent merging Suven Pharma and Cohance Lifesciences in a $1.0 billion deal and Warburg buying Shriram Housing Finance through its affiliate Mango Crest Investment for $550 million.

Looking ahead, BCG's M&A Sentiment Index for Asia-Pacific indicates somewhat subdued sentiment among dealmakers in the region—but with a cautious upward trend. Key drivers for this sluggishness include global geopolitical uncertainty and heightened risks of slowing growth.

On the regulatory front, a BCG study found that the average closing time for India-based acquirers has been increasing as government scrutiny intensifies. In 2022, deals required, on average, 220 days to close—an increase of approximately 30% since 2018. However, the Competition Commission of India (CCI) is set to release new merger regulations that incorporate global best practices and may reduce closing delays. The regulations will include guidelines on how to assess transaction values to determine whether CCI approval is required. They will also streamline the merger approval process by reducing the decision timeline from 210 to 150 days.

Over the longer term, dealmaking in India will remain robust as companies with strong balance sheets—flush with cash and significant capacity to take on debt—seek assets with attractive valuations. Companies will continue to focus on growth-oriented businesses that are financially efficient and have a controlled spending strategy. Private equity and venture capital investors will seek to deploy their record-high dry powder in cash-generating businesses to get a better return.

The Middle East Perspective by Samuele Bellani

In the Middle East, there is a clear divide in M&A between outbound deals and deals targeting companies within the region. Middle Eastern buyers continue to acquire companies outside the region, with outbound deal activity remaining at the high levels seen since 2021. We anticipate that robust outbound activity will persist.

For instance, ADNOC has ramped up its buy-side efforts, including the announced acquisition of German chemicals company Covestro for $12.5 billion—the first purchase of a German blue-chip company by a Middle Eastern buyer. The deal is a cornerstone of ADNOC's global growth strategy and will provide the foundation for its international performance materials and specialty chemicals business.

In contrast, M&A activity involving Middle Eastern targets has been subdued in 2024, continuing the sharp decline that began after the pre-pandemic peak in 2019. In the first nine months of 2024, the deal value of transactions targeting companies in the region dropped by 45% compared with the same period in 2023. In contrast, global deal value rose by 10%. Deal volume in the Middle East increased by 7%, versus a global decline of 13%.

Despite the overall slump in transactions within the region, noteworthy dealmaking has occurred in several sectors:

- **Industrial.** In the logistics industry, ADNOC acquired Navig8 for $1 billion. In the engineering industry, the John Wood Group rejected Dar Al-Handasah's $3.2 billion bid to acquire it.

- **Technology and Telecommunication.** Technology and telecommunication assets are increasingly prominent in the region's M&A landscape. Notable deals include Bayanat AI's bid to acquire Al Yah Satellite Communication for $2.6 billion and UAE-based Rowad's $250 million acquisition of Uganda Telecommunications. Another example is Presight AI's investment of $350 million in energy-focused AI player AIQ.

- **Energy.** Energy remains one of the region's most active sectors. One example of a growing focus on renewable energy is Masdar's $2.7 billion acquisition of Terna Energy. At the same time, a continued focus on monetizing hydrocarbon resources is evident in the M&A activities of regional national oil companies, such as Saudi Aramco and ADNOC, particularly in the global downstream oil and gas sector.

So far in 2024, the UAE has recorded the highest deal value in the region (totaling $1.5 billion). Kuwait and Saudi Arabia follow with deal values of $1.1 billion and $987 million, respectively. The UAE also led in the number of deals, with a total of 98 transactions, followed by Saudi Arabia with 47 deals and Kuwait with 10 deals.

Looking ahead, BCG's M&A Sentiment Index points toward stable sentiment among dealmakers globally. In the Middle East, several key factors will shape the prospects for M&A:

- **Outbound Activity.** Strategic players and financial sponsors in the region will continue to invest outside of the Middle East.

- **Economic Diversification.** Companies and governments face a growing imperative to invest in diversifying the region's economy beyond its traditional reliance on oil and natural gas production.

- **Global Uncertainty.** Tensions between major global powers continue to foster political and economic uncertainties, which could discourage cross-border dealmaking. In addition, increased regulatory scrutiny, particularly in sectors such as technology and finance, may impede or block potential deals.

- **Rising Risk of Slowing Growth.** Slower-than-expected global economic growth is dampening regional enthusiasm for M&A. As a result, companies may take a more cautious approach, opting to monitor market conditions before committing to large transactions.

Other promising trends could help lift the region out of its dealmaking slump. These include the rapid development of capital markets and the sharpening focus of sovereign wealth funds on optimizing and monetizing their portfolios. Together, these trends should provide long-term support for dealmaking in the Middle East.

The Southeast Asia Perspective by Jared Feiger

Dealmaking in Southeast Asia (SEA) has fallen to a 15-year low in 2024, exceeding the decline in the broader Asia-Pacific (AP) market. The region's projected economic growth, however, will serve as a positive counterweight for companies looking to diversify their portfolios via acquisitions.

Since peaking in 2021, M&A activity in SEA has declined sharply, largely owing to the absence of large deals. Notably, 2024 has so far seen only four deals exceeding $1 billion. In the first nine months of this year, SEA deal value dropped by 51% compared with the same period in 2023. In contrast, deal value rose by 10% globally and declined by 5% in the AP region overall. In terms of deal volume, SEA fell by 3%, somewhat less than the declines globally (13%) and in the AP region as a whole (13%).

Despite the slump, significant transactions have occurred in several sectors:

- **TMT.** Deals involving technology, media, and telecommunications companies have accounted for one-fifth of all deals so far in 2024. This represents a reversion to the long-term average following a downturn in 2023. Tech companies seek to acquire capabilities (such as e-commerce or artificial intelligence) that promote growth. Other companies, such as telecom operators, are divesting to deleverage and raise funds; for example, PLDT and Telkom Indonesia are selling stakes in their data center businesses. Also noteworthy is the Philippines' first deal involving a special-purpose acquisition company: hotel and entertainment firm Hotel101 Global listed itself on the Nasdaq via a merger with JVSPAC Acquisition Corp.

- **Energy.** Companies are actively managing their portfolios by acquiring assets in growth regions and monetizing mature assets. For example, France-based TotalEnergies acquired a 50% stake in SapuraOMV's Malaysian operations for $900 million. TotalEnergies also divested its Brunei business for $250 million.

- **Industrial and Materials.** Industrial and materials targets remained important acquisition opportunities in 2024, making up 15% of SEA's total deal value. For example, Singapore's Golden Energy and Resources, owned by Indonesia's Widjaja family, acquired a 70% stake in Australia-based coal miner Illawarra Metallurgical Coal from South32. The deal was valued at $1.65 billion.

Singapore continues to lead M&A activity in the region, driven by its favorable investment climate and well-developed financial sector. Amid US-China tensions, Singapore and other SEA countries have emerged as top destinations for companies seeking to diversify their supply chains via a "China plus one" strategy. Although companies continue to maintain a presence in China, many are expanding their manufacturing operations within SEA, leading to greater investment in the region.

Dealmakers in SEA should prepare to navigate an evolving regulatory environment. For example, Singapore recently passed the Significant Investments Review Act, which aims to regulate investments in entities critical to national security. In addition, the Malaysian Competition Commission is amending its merger control policies to align with international standards.

A BCG study examined how regulatory developments are affecting the time required to close deals. We found that average closing times are decreasing in the AP region even as they are increasing in Europe and North America. In 2018, closing times in the AP region were longer than those in the US and Europe. By 2022, however, the average closing time in the region had decreased by 7%, falling to 185 days. During the same period, the US saw a 10% increase to 161 days, while Europe experienced a 27% rise to 191 days. Notably, this downward trend applies only to small and medium-size deals in the region. For AP transactions exceeding $10 billion in value, the average closing time increased significantly by 125% from 2019 to 2022.

Looking ahead, BCG's M&A Sentiment Index for the AP region indicates slightly improving but subdued sentiment among dealmakers in the region. We see two key factors underlying this sluggishness:

- **Global Uncertainty.** Tensions between major global powers continue to create uncertainties and discourage cross-border dealmaking. At the same time, increasing regulatory scrutiny, especially in sectors such as technology and finance, may impede or block potential deals.

- **Rising Risk of Slowing Growth.** Economic growth rates across the globe were slower than expected and may dampen regional M&A enthusiasm. As a result, companies could adopt a more cautious approach to M&A, preferring to observe market conditions before committing to large transactions.

Despite these challenges, M&A activity in SEA is expected to benefit from strong economic prospects, digital transformation, and further increases in inbound or intraregional cross-border transactions to diversify market exposure and sources of growth. The region's GDP is projected to grow by 4.7% in 2025, fueled by robust domestic demand. We expect the technology sector to experience high levels of deal activity as companies capitalize on further digital adoption. In addition, cross-border investments from China, Japan, and the US should continue to support dealmaking in the region.

The UK Perspective by Edward Gore-Randall

In terms of deal value, M&A activity in the UK has rebounded strongly this year, breaking out of the slowdown that began in the latter half of 2022. During the first nine months of 2024, UK deal value was at more than twice the level achieved during the same period in 2023—a staggering 131% increase year over year. In contrast, deal value increased by 10% globally and by 14% in Europe overall.

However, this leap in value resulted primarily from a small number of very large deals. Overall, the number of UK deals fell by 8%, versus declines of 13% globally and 15% in Europe overall. The UK figures for value and volume are approaching the country's long-term averages.

The UK's industrial, financial services, and retail and consumer sectors have been especially active in 2024, particularly for larger transactions:

- **Industrials.** Companies in this sector have played a major role in the UK's dealmaking activity in 2024. A highlight is International Paper Company's takeover of DS Smiths for $7.2 billion, outbidding Mondi for the acquisition. BHP's failed attempt to take over Anglo American for $36 billion is also noteworthy. Although BHP pulled out, the proposed deal was a catalyst for several announced portfolio overhauls and transactions at Anglo American.
- **Financial Services.** Rising interest rates have spurred M&A activity in the UK's financial services sector. Key deals include Nationwide Building Society's $3.6 billion acquisition of Virgin Money UK and an investor group's bid to acquire Hargreaves Lansdown for $6.7 billion. Another trend involved food retailers' divesting their banking businesses, most notably Barclays acquisition of Tesco Personal Finance for $883 million. A second divestment in the same segment involved NatWest acquiring J Sainsbury's banking business.
- **Retail and Consumer.** Among consumer goods manufacturers, Carlsberg's acquisition of Britvic for $4.1 billion—completed after several months of negotiating—was a standout transaction. On the retail side, a notable deal was JD Sports' takeover of Hibbett for $1.1 billion.

Private equity firms have executed several high-profile deals in the UK. Examples include Permira's $6.6 billion acquisition of Squarespace and Thoma Bravo's purchase of Darktrace for $5.5 billion.

Looking ahead, BCG's M&A Sentiment Index for Europe indicates stable sentiment among dealmakers in the region, as decreasing interest rates are offset by a more cautious economic outlook.

Dealmakers in the UK must contend with a changing regulatory environment. In early 2024, amendments to competition and consumer protection laws expanded the authority of the UK's Competition and Markets Authority, heightening antitrust concerns. These changes are likely to increase the volatility and uncertainty of deal-closing timelines. A BCG study found that the average closing time for UK-based deals was 166 days in 2022, down from 200 days in 2021. For deals exceeding $10 billion in value, however, the average closing time from 2018 through 2022 was 253 days—16% higher than the historical average for such large deals from 2000 through 2022.

Nevertheless, we believe that the current positive trend in the UK M&A activity will continue, driven by several catalysts:

- **Evolving Demands in Materials and Mining.** Mining companies will use M&A to respond to the growing need for critical transition resources (such as copper and lithium) to support green business models, and to adapt to the uncertain outlook for coal and other fossil energy sources. Increasingly vocal investor demands for portfolio realignment are reinforcing this trend.
- **Digital and Data Competencies.** Companies will pursue deals to acquire digital and technological competencies, particularly as generative AI-driven innovations become more important. An example is BlackRock's purchase of Preqin Holding, a financial data company, for $3.2 billion.

- **Energy Transition.** The ongoing need to invest in European energy independence and the shift to renewable energy will influence various sectors and continue to shape dealmaking.

- **Consumer Trends.** Retail and consumer companies must adjust to rapidly changing consumer behavior. The rising importance of Generation Z and the retirement of Baby Boomers are major factors in consumers' evolving demands and preferences.

In 2024, UK dealmakers have shown resilience in the face of persistent market volatility and macroeconomic and geopolitical uncertainty. All signs point to a continuation of the recovery.

The US Perspective by Lianne Pot

M&A activity in the US has been gaining momentum this year, continuing the upward trend that began in the second half of 2023. Still, the market has a long way to go to fully recover from the low levels of activity over the past 18 months.

During the first nine months of 2024, US deal value was 21% higher than during the same period in 2023. In contrast, deal value increased by 10% globally. The number of US deals decreased by 11%, versus a 13% decline globally. Even so, M&A activity in the US continues to trail the country's long-term averages.

Dealmaking in the US energy sector has been robust, continuing the momentum from 2023. In addition, 2024 has seen noteworthy larger transactions in the technology, consumer, and industrial sectors:

- **Energy.** Dealmaking in the upstream oil and gas sector has been especially active in 2024. Notable examples include Diamondback Energy's $25.8 billion acquisition of Endeavor Energy and ConocoPhillips's $22.6 billion purchase of Marathon Oil. Both deals mark significant milestones in these acquirers' M&A histories. They also underscore the heightened industry interest in exploration and production companies that focus on unconventional resources.

- **Technology.** Following a slow year for M&A in 2023, technology companies announced several large deals early in 2024. Synopsys, a company specializing in semiconductor design software, acquired software maker Ansys for $33.5 billion. That deal highlights the increasing demand for computing power to support complex AI-driven applications. Another recent AI-focused transaction is Hewlett Packard Enterprise's $15.4 billion purchase of Juniper Networks.

- **Consumer.** Mars Inc.'s announced $36.1 billion acquisition of Kellanova, spun off by Kellogg Co. in the third quarter of 2023, combines leading confectionery and snack brands. Upon completion, it will be the largest deal ever completed by a privately held company. Another significant transaction, Home Depot's $18.3 billion purchase of SRS Distribution, aims to enhance the acquirer's delivery capabilities to better serve professional customers and complex projects.

- **Industrials.** International Paper's $11.1 billion purchase of DS Smith strengthens the acquirer's position in both North America and Europe. Another major deal is Boeing's $8.6 billion acquisition of Spirit AeroSystems, a supplier that the aerospace giant had spun off 20 years ago.

Private equity activity in the US has made a significant comeback in 2024. Two take-private transactions highlight renewed activity at the intersection of private equity and technology: Accel Partners led a group of investors in acquiring payment provider Squarespace, while Clayton, Dubilier & Rice and other investors purchased revenue management software provider R1.

The current regulatory environment poses significant challenges, particularly following the issuance of new merger guidelines by the US Department of Justice and the Federal Trade Commission. These challenges are evident in the longer time needed to close deals. A BCG study found that the average closing time for US-based dealmakers in 2022 was 161 days, a 14% increase since 2018. For deals exceeding $10 billion in value, closing times have surged by 66% to an average of 323 days—double the overall average. Adding to the uncertainty, the outcome of the impending presidential election could have major implications for merger scrutiny.

Looking ahead, BCG's M&A Sentiment Index for the Americas indicates slightly improving sentiment among dealmakers in the region. Key drivers for this improvement are decreasing interest rates and strong stock market performance.

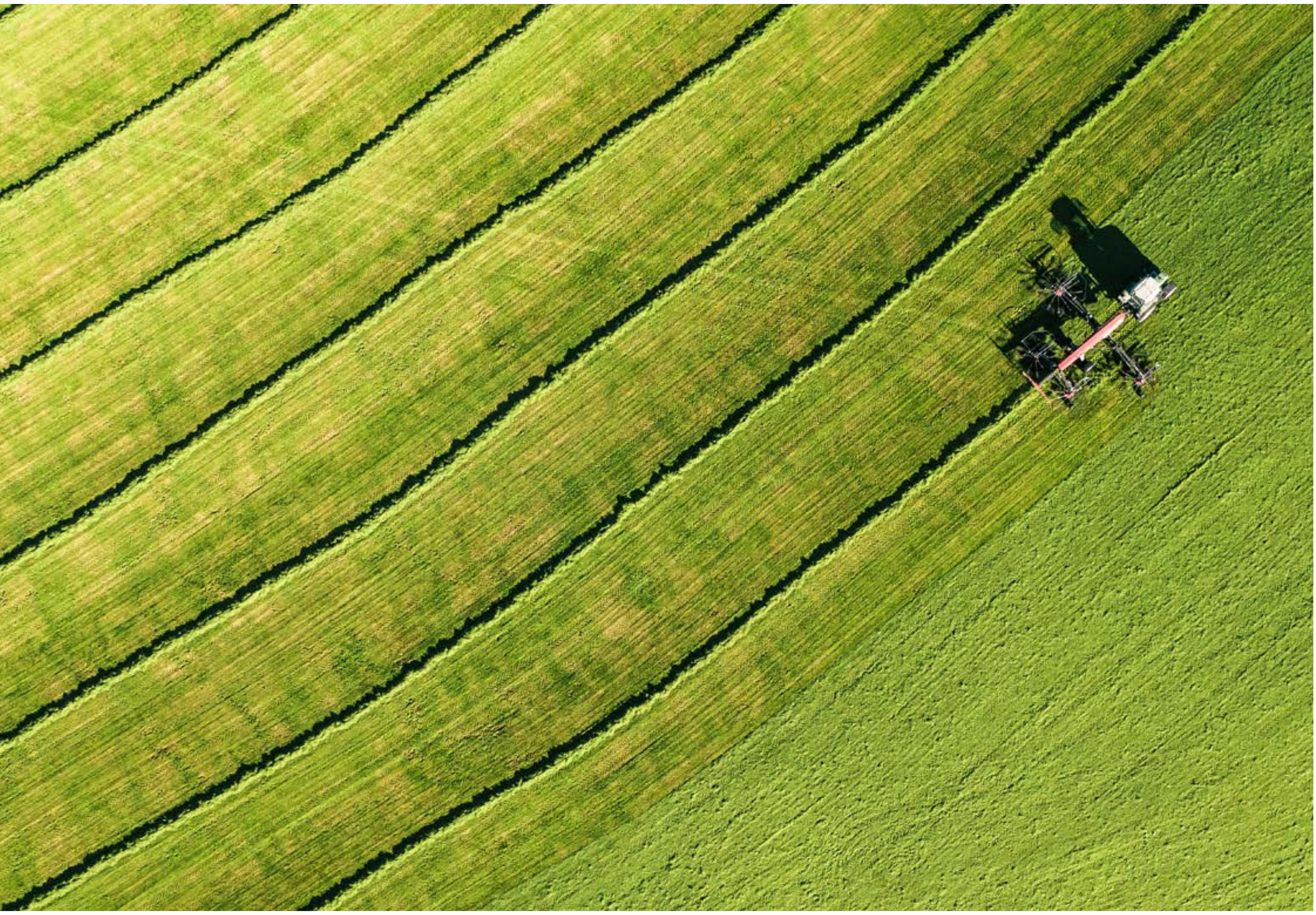
We see several catalysts for US M&A activity in the years ahead:

- **Energy Transition.** The ongoing need for investment in the energy transition is driving M&A across the entire energy sector. This includes not just upstream oil and gas companies that focus on exploration and production, but also companies engaged in midstream and downstream activities. Companies will also pursue deals involving renewable energy and low-carbon solutions.

- **Technology.** AI and other megatrends are fueling the need to invest in infrastructure, applications, and capabilities. These investments will benefit semiconductor makers, data centers, network providers, and software companies. In addition, potential regulatory enforcement could lead to breakups and larger divestitures.

- **Interest Rates.** In September 2024, the US Federal Reserve reduced interest rates by 50 basis points, marking a shift in monetary policy. We expect this more favorable interest rate environment, potentially with further rate cuts this year, to promote increased dealmaking activity.

Despite today's challenging geopolitical and regulatory conditions, we believe that US M&A activity will soon stabilize as uncertainties surrounding the upcoming federal elections are resolved. Companies will once again turn to M&A to drive growth and adapt to technology-driven opportunities.



Is Your M&A Organization Built to Win?

Experience makes the difference between successfully closing M&A deals and either missing opportunities or making poor choices. In BCG's decades of supporting and studying transactions, we have found that—in the long run—companies that regularly engage in deals create more value and have higher success rates. Overall, they create superior returns, whereas less-experienced companies tend to destroy value. (See Exhibit 6.)

What gives experienced companies their edge? They understand the fundamental importance of strong executive ownership and strategic guidance over M&A priorities. Critically, they also recognize the essential role of a dedicated and capable M&A organization to support their transaction activities. Operating with a clear mandate and a well-structured, end-to-end process, the M&A organization collaborates with business units to identify targets and execute deals while expertly navigating a minefield of risks.

In a large-scale effort, BCG collaborated with global dealmakers to study the common pitfalls and success factors involved in setting up M&A organizations. The study included a survey of senior leaders from various regions, industries, and functions. (See "About the Survey.")

The study's findings indicate that making the right choices in several key areas is essential for building effective M&A organizations. Because each organization is unique, companies must tailor their design choices across these topics on the basis of a detailed understanding of the pros and cons. Companies that succeed will create top-notch teams that are prepared to act decisively and effectively throughout the life cycle of each deal.

About the Survey

BCG surveyed M&A executives globally to understand the characteristics of their M&A organizations, focusing on functional strategy and organizational setup, governance and interfaces, and M&A processes and tools.

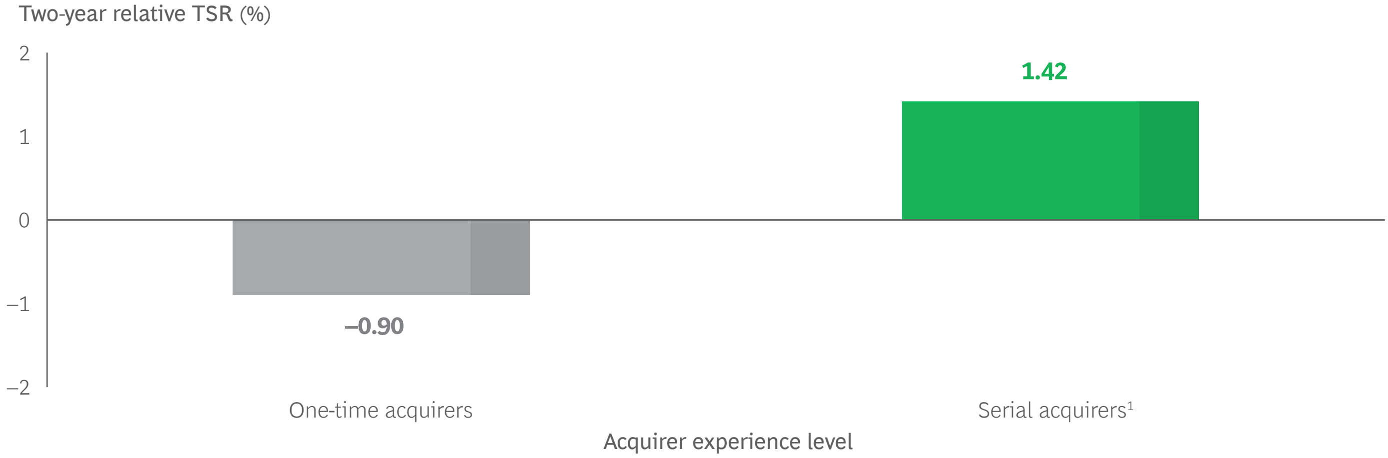
A total of 129 executives participated, with representation from North America (39%), Europe (39%), and Asia (22%). The respondents work in major industries: technology, media, telecommunications (27%); health care (26%); industrial manufacturing (19%); consumer and services (13%); energy infrastructure (6%); retail (4%); automotive (3%); and materials (2%).

The sample focused on C-level and senior leadership. Approximately 70% of respondents work in their company's M&A department or in corporate strategy or corporate development. Most respondents (84%) work in the corporate center or headquarters, while the remainder hold positions in business or regional units. Most respondents are highly experienced M&A professionals with comprehensive knowledge of end-to-end M&A functions and processes.

Approximately two-thirds of respondents work for large companies, primarily medium-size (500 to 5,000 FTEs) or very large (over 10,000 FTEs) enterprises. The survey sample included almost equal numbers of respondents from public and private companies.

Exhibit 6 - Dealmaking Experience Pays Off

Less-experienced acquirers don't create long-term value



Sources: Refinitiv; BCG analysis.

Note: The total of 28,032 M&A transactions comprises pending, partly completed, completed, and unconditional deals announced from 1990 through 2024, with deal value greater than $100 million and more than a 50% share acquired. Only deals with public buyers are included. TSR = total shareholder return.

[1]Acquirers that have completed at least five transactions in the data sample.

What Are the Common Challenges?

Understanding the common pain points that M&A professionals face in their daily work is crucial to designing effective organizational structures. Survey respondents highlighted several obstacles that many of them have encountered. (See Exhibit 7.)

The most frequently cited challenge is a lack of promising targets: 47% of respondents mentioned shortcomings in their organization's target search process. Nearly as many (46%) pointed to unduly prolonged processes during transaction execution. And 43% noted the absence of a clearly defined growth strategy or described their company's approach as too opportunistic.

The scope of the M&A organization's perceived responsibilities throughout the deal process is another significant issue. Survey respondents see themselves as having a clear mandate to develop strategic rationales, conduct negotiations, provide financial analyses, perform valuations, and manage processes and programs. (See Exhibit 8.) But relatively few respondents see themselves as internal advisors, integration planners, and communicators. For maximum effectiveness, the deal team should be deeply involved in all of these areas.

Our discussions with successful dealmakers reinforce the importance of ensuring that the M&A organization have a broader set of capabilities. (See "Lessons From Maersk's M&A-Driven Transformation.")

Building an Effective M&A Organization

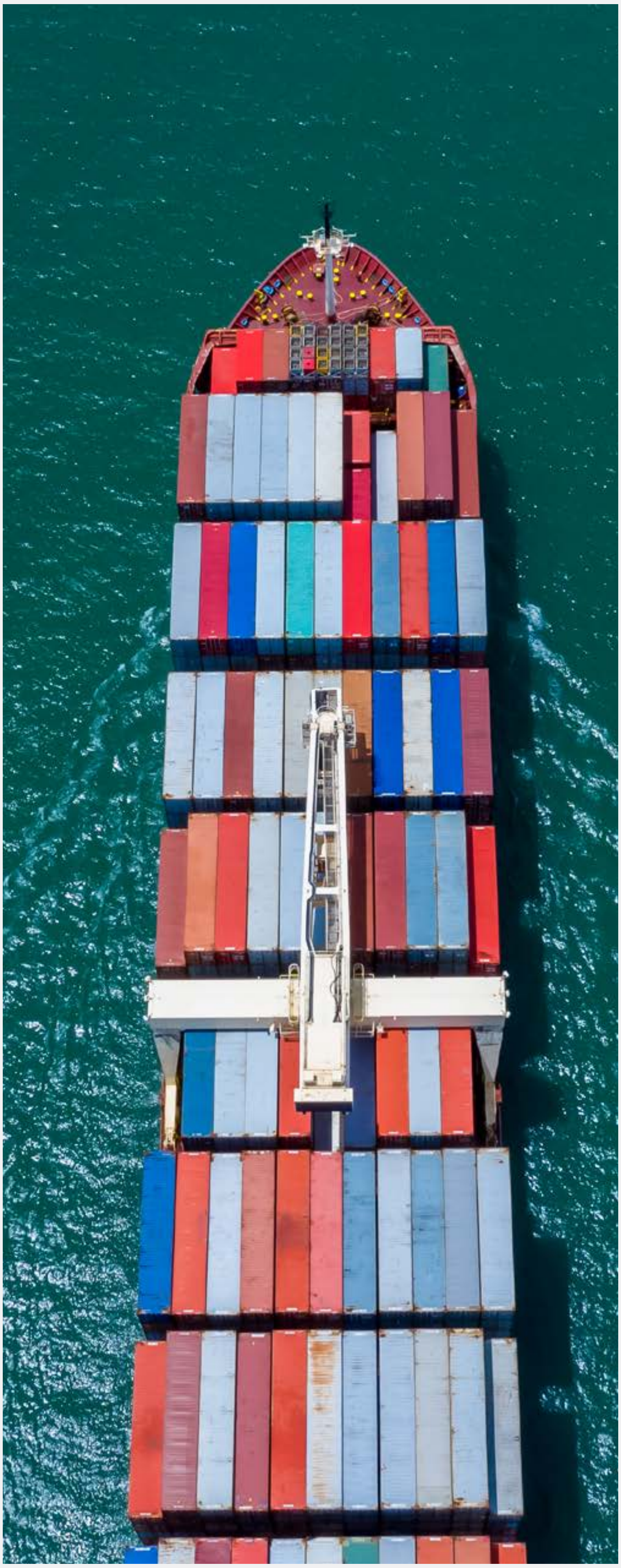
Building an effective M&A capability involves tailoring various design options to the company's specific goals. There are four key areas to consider: governance structure, functional structure and team size, collaboration models, and processes and tools. Companies can consider a set of questions to guide their choices among the available options. (See "Questions to Guide Design Decisions.")

Governance Structure

An M&A organization's governance structure should align with the company's strategic objectives and business environment. The top-down governance approach emphasizes a structured and hierarchical decision-making process in which directives flow from senior executives to the operational teams. It is suitable for organizations operating in traditional and less dynamic industries. The primary advantages of this structure are clear guidance and efficiency, leveraging of executive expertise, and structured communication. However, it may also limit flexibility and slow decision making.

Bottom-up governance, in contrast, encourages more ideation and innovation from lower organizational levels. Because this approach facilitates flexibility, innovation, and faster decision making, it is popular in dynamic and innovative industries where agility is crucial. It is also widely employed by large conglomerates that have diverse, unrelated business units. Potential challenges of this governance structure include strategic misalignment among organizational levels and lack of transparency.

Lessons From Maersk's M&A-Driven Transformation



Since 2017, A.P. Moller - Maersk has used a series of acquisitions and divestments—including the $3.8 billion purchase of LF Logistics and the $7.4 billion sale of Maersk Oil—to transform itself from a shipping and energy conglomerate into an integrated logistics company.

We spoke to Peter Wikstrom, the company's vice president and head of M&A, to learn how an effective M&A organization supported this transformation.

What was Maersk's M&A organization like at the beginning of this transformative journey, and what did you change?

Initially, we had a very decentralized setup. Some members of the M&A function were located at the group level, while others belonged to M&A and broader corporate development teams within the regions and business units. So, as the first change, we centralized the M&A function to ensure that we could prioritize opportunities efficiently to achieve our overarching strategic goals.

The second change was to build up our centralized capabilities. Our mantra was to build a team that could compete with the best-in-class M&A teams across the industry, investment banks, and private equity firms. To achieve this, we hired only true M&A professionals—those with in-depth experience and relevant skills, not just a general interest in M&A.

Finally, we clearly defined responsibilities throughout the deal process, based on the four pillars of M&A—strategy and sourcing, due diligence and execution, integration, and long-term monitoring. For example, deal sourcing would only happen centrally to ensure the highest quality standards and strategic fit. This helped us to source and execute opportunities more efficiently.

What do you view as the most important attributes of an M&A organization?

In my experience, three attributes are essential: strategic conviction, internal partnership, and accountability.

Forming a *strategic conviction* for a specific deal means having a clear-cut answer to the question, “Why should we acquire this target, considering the value it creates for our customers and us?” To reach this answer, we involve key business stakeholders early in the process and define how the deal fits into our roadmap and how it adds value from commercial, operational, technological, and financial perspectives. This *internal partnership* with stakeholders from business units and regions is crucial. We partner with them throughout the process, rather than simply acquiring a target and dropping it at their feet. Ultimately, we need them to take ownership and *accountability* for the underlying assumptions and the value-capture initiatives because the target will be integrated into our business.

What are your biggest lessons from several large-scale deals at Maersk?

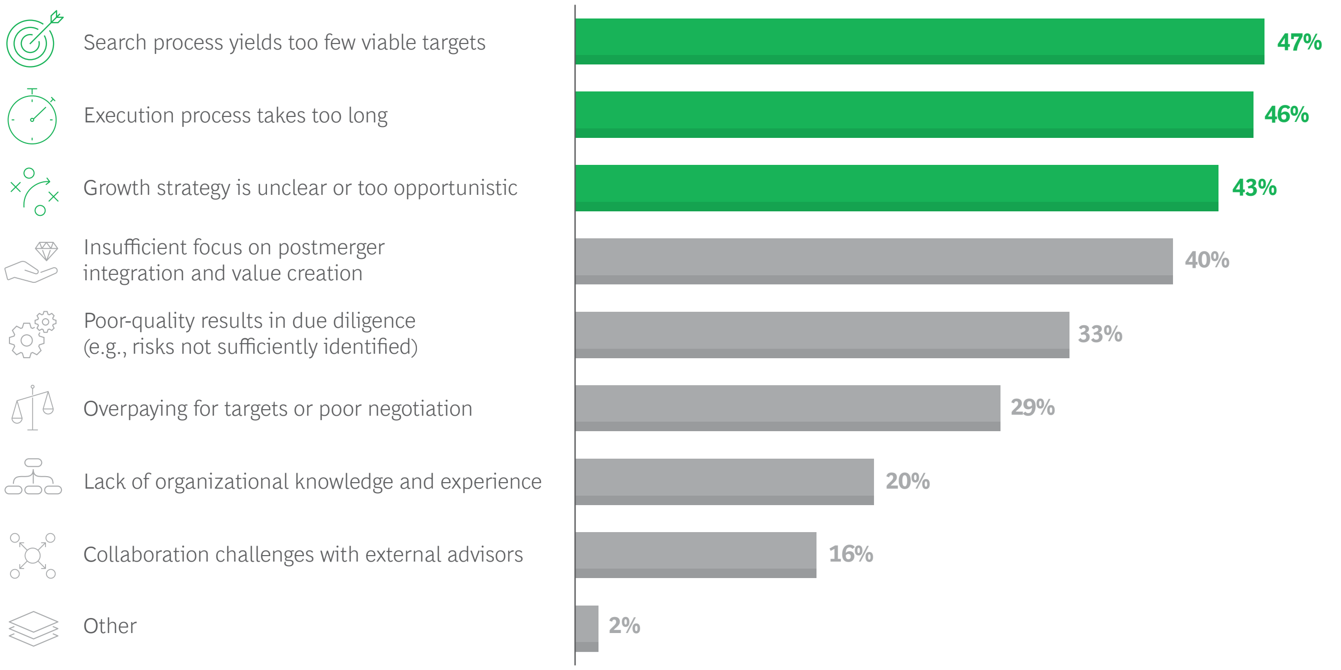
For many deal teams, their work ends with deal signing or closing. However, the subsequent integration phase is equally important—if not more so. Even if a company has selected the right target to acquire, which is a prerequisite for success, a poorly managed postmerger integration will destroy value. So, one key lesson is that M&A teams must facilitate a proper platform for the integration phase. This setup ensures that the company can utilize all insights gained during the transaction to create a robust target operating model, clarify synergy enablers, and identify the actions required to capture value and mitigate risks.

We have already discussed the importance of involving other parts of the organization in the deal process. Another lesson is that, while this involvement is crucial, it is better to prioritize quality over quantity. The process benefits more from having a few fully engaged stakeholders than from having many people with only lateral involvement. This approach also reinforces the accountability previously mentioned.

Finally, as an M&A leader, you need allies at the highest levels of the organization who understand what an active M&A agenda entails and how dealmaking works. Their support is crucial for gaining and maintaining momentum while also converting on deals—that is, executing and closing them. This includes securing board-level alignment regarding your strategic goals at the start of the M&A journey. Top executives must also be allies to support your framework for end-to-end deal execution and to participate in and stand behind critical decisions for each deal. Only with this level of support can you truly become a successful dealmaker in a complex corporate environment, because M&A is a team sport.

Exhibit 7 - M&A Professionals Face Many Challenges in Their Daily Work

What do you consider the main pain points in your organization when it comes to M&A activities?

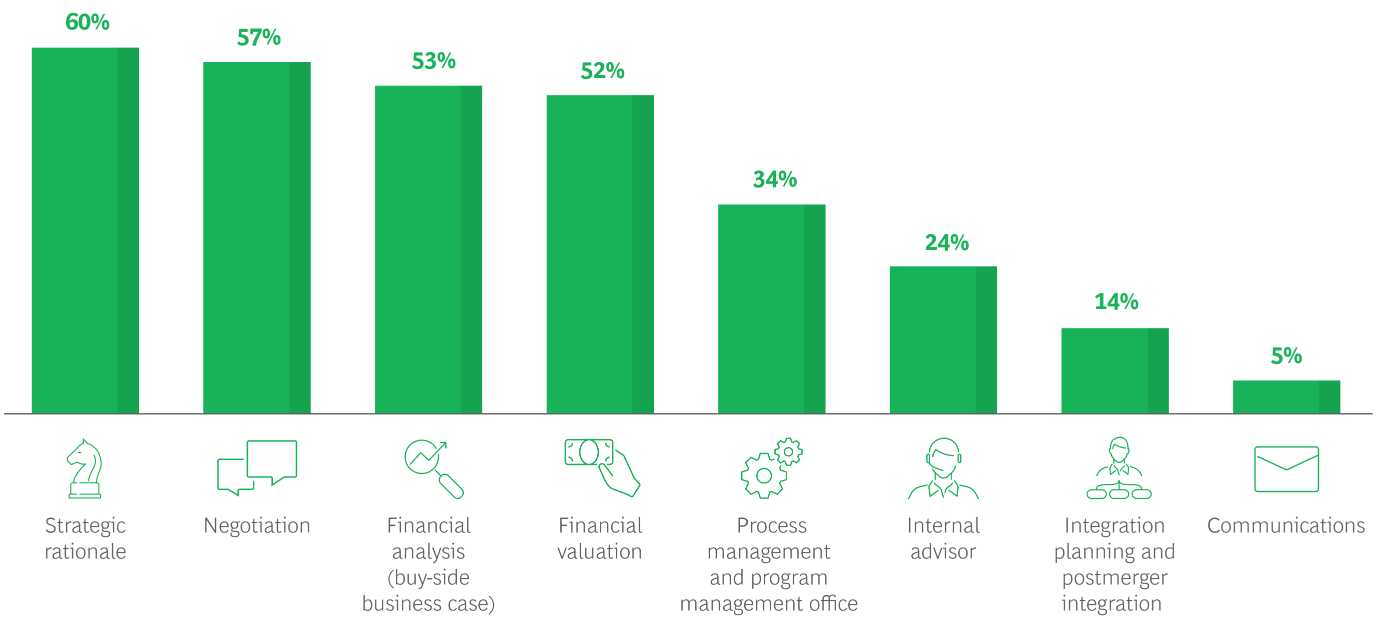


Sources: BCG M&A organization survey (N = 129); BCG analysis.

Note: Respondents were asked to select all answers that applied to their organization.

Exhibit 8 - Deal Teams Need a Broader Set of Responsibilities

What are the three most important functions of the M&A team throughout the deal process?



Sources: BCG M&A organization survey (N = 129); BCG analysis.

Note: Percentages represent the share of respondents who named the specified function as one of the three most important functions of the M&A team.

In any governance structure, decision-making bodies play important supporting roles. Depending on the region, the board of directors or C-level executives approve and update the investment strategy, allocate capital, and define group policies. These leaders also develop processes and responsibilities related to M&A activities, ensuring strategy implementation across the organization. In an overlapping role, the investment committee prioritizes and recommends investment decisions in line with strategic objectives, challenges deal teams (for example, by verifying assumptions and prioritizing additional analysis), and contributes to M&A strategy execution.

Functional Structure and Team Size

The structure of the M&A function must align with the company's overall strategy, ensure effective integration of acquired entities, and support seamless operations. Several dimensions impact this structure:

- **Level of M&A Function.** The M&A function's position within the corporate hierarchy and its reporting structure are crucial. Having the function report directly to C-level executives ensures top-level attention and strategic alignment. On the other hand, integrating the function into another department enhances coordination and resource sharing.

- **Allocation of Responsibilities.** The distribution of M&A responsibilities among executive roles affects the function's focus and effectiveness. Assigning responsibility to the CEO ensures strong strategic alignment, whereas placing the CFO at the helm emphasizes financial discipline. Leadership by the chief operating officer or chief strategy officer stresses operational efficiency or strategic execution, respectively.

- **Degree of Centralization.** A centralized M&A team provides strong cohesion and quick decision making but may give short shrift to business-unit-specific insights. In contrast, a divisional team optimizes capital allocation and supports specialized tasks but requires careful coordination. Integrating the M&A team into a business unit helps align it with business strategies but may raise issues with adherence to enterprise-level strategy.

- **Team Size and Resources.** The scope of an M&A organization's activities affects its required team size and skill level. After assessing the tradeoffs between utilization, flexibility, and costs, companies may choose not to build subject matter expertise in certain functions and business areas within the M&A organization. To access needed expertise, companies must establish strong interfaces that promote effective collaboration between the M&A organization and other departments and business units.

Benchmarking and skill identification are essential to ensure that the M&A team has the resources and skills it needs to handle various challenges. For example, benchmarks are available for calculating the average number of FTEs necessary to deliver a specific number of deals per year, or the optimal ratio of executives to junior professionals. A BCG benchmarking survey revealed that the average number of FTEs per M&A team increases steadily as the volume and value of deals rise. (See Exhibit 9.) For teams with the largest deal volume and value, however, the number of FTEs decreases slightly—suggesting that serial dealmakers can leverage superior capabilities to enhance their teams' efficiency.

Collaboration Models

There are several collaboration models, each with its own distinct levels of interconnectedness and stakeholder involvement:

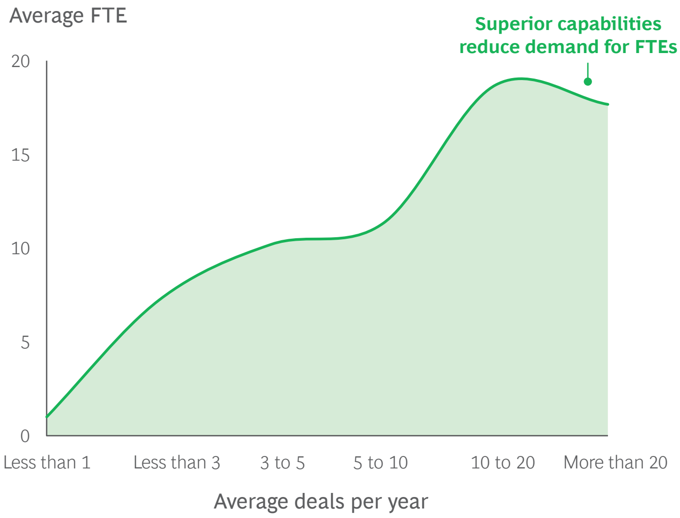
- **Internal Collaboration.** Options for internal collaboration include independent, interlinked, and integrated models. An independent model calls for the M&A department to operate with loose ties to adjacent groups. This is suitable for organizations in which the department's activities are separate from those of other functions. This model offers clear boundaries but may not promote integration with the corporate strategy. In contrast, teams that use an interlinked model share the same reporting line and engage in frequent exchanges. This model enhances cooperation and alignment with strategic goals, but it also requires robust coordination to avoid overlaps. In an integrated model, the strategy department, business units, and M&A teams function as a cohesive unit. This approach promotes alignment and resource sharing but can be complex to manage.

- **Stakeholder Involvement Across Deal Stages.** Effective collaboration requires participation from the board, executives, strategy departments, business units, and M&A department at different stages. The board and the executive leadership team define strategy top-down, with the M&A department providing guidance. Deal sourcing and screening require high engagement from industry experts, strategy departments, and the M&A team. The M&A department leads on deal design and valuation, often with input from external advisors. The M&A team and board are highly involved in execution, too, with business units joining them to achieve post-merger integration.

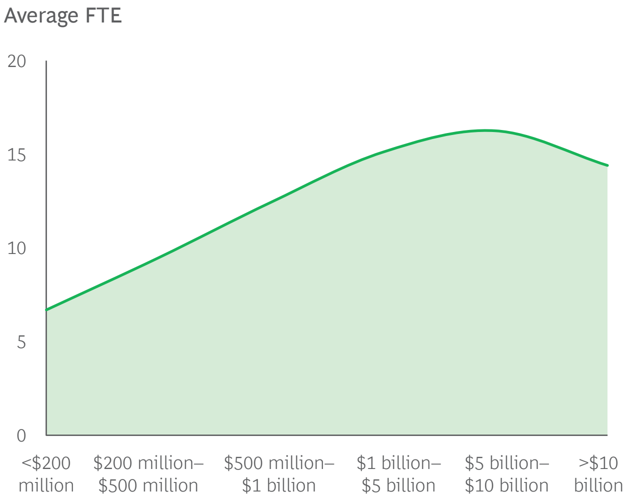
- **External Collaboration.** External collaboration, particularly with regard to leveraging external advisors, is critical for supplementing internal capabilities. Selecting the right advisors can have a major impact on transaction success. Advisors should have a strong track record and must possess the appropriate scale and flexibility to provide services for the transaction. Their skill set should enable them to efficiently handle process-related and administrative tasks, and to offer valuable guidance and insights. In addition, their networks should connect them with relevant investors and stakeholders.

Exhibit 9 - Team Size Increases with Deal Volume and Value, but Serial Dealmakers Are More Efficient

Average size of M&A team per number of deals



Average size of M&A team per deal value



Sources: BCG M&A organization survey (N = 129); BCG analysis.

Note: FTE = full-time equivalent employee.

Processes and Tools

Establishing clear processes and leveraging appropriate tools are critical to streamlining activities and achieving desired outcomes.

In designing their processes, companies need to adopt a set of principles that will ensure alignment with best practices. Successful acquirers follow well-defined criteria, maintain a predetermined M&A approach, and have a clear view of desirable targets. They also align key responsibilities and available resources on the basis of deal size. Unambiguous decision-making responsibility averts confusion and ensures accountability. To monitor each deal's progress, leading companies establish stage gates, approval procedures, and tracking mechanisms.

Companies can use several tools to support processes across the full M&A life cycle. Origination tools assist in the initial stages, including target search, scouting, digital deal marketplaces, and target evaluation. Execution tools aid in project management, data handling, and due diligence. Integration tools track synergies, monitor the progress of integration, and support a post-mortem analysis of the deal. Other tools are available to manage the deal pipeline and track deal progress, thereby providing a comprehensive view of M&A activities.

Imperatives for Top-Notch Functions

Drawing on lessons from best-in-class dealmakers, we have identified nine imperatives for elevating M&A organizations to top-notch functions:

- **Ensure executive ownership and strategic alignment.** Executive leadership must take ownership of M&A priorities and provide strategic guidance that fully aligns with business objectives. A strong, capable M&A team should support this vision, operating with a clear mandate and a structured approach to ensure successful execution.

- **Establish clear processes and responsibilities.** Leaders must clearly define decision-making processes and ensure that all participating parties know their responsibilities. For example, planners should designate gatekeepers to make final decisions at specific points in the process.

- **Prioritize speed and pragmatism.** Speed is essential in many M&A processes, and decision makers often need to be pragmatic and take risks. Experienced dealmakers can make sound decisions even without complete information.

- **Align the multiple stakeholders.** Leaders should establish common goals and strategies for all participants in the M&A process, including the teams in charge of postmerger integration—a stage at which companies often lose significant value.

- **Apply lessons learned and expertise.** Successful M&A requires learning from every deal and adhering to standards to maximize value. It is therefore important to staff the organization with internal experts who understand the intricacies of M&A.

- **Be willing to invest in a stronger organization.** Failed deals and ineffective processes carry high costs. Leaders should consider building M&A muscle as an investment in cost avoidance.

- **Build a pipeline of targets.** Companies need to use all available internal and external resources to identify opportunities for potential acquisitions. Leaders should ensure that the business systematically organizes and manages these opportunities to prioritize the most promising targets and to streamline the decision-making process. Meticulous preparation enables dealmakers to act quickly when desired targets come to market.

- **Seek help from business experts.** Leaders should involve business experts in due diligence and postmerger integration planning, coaching them to work effectively within the company's M&A process.

- **Use state-of-the-art tools.** Analytics platforms, deal management software, and other high-end tools can help the company keep pace with market and technological advances and conquer the complexity and scale of dealmaking.

As the M&A market's recovery continues, now is the time for companies to begin investing in their M&A capabilities. Building or transforming an M&A organization is a time-consuming process. Although companies can complete a well-structured program in as little as eight weeks, setting the effort in motion requires significant planning. The potential payoff, however, is big: companies that invest in establishing an effective M&A organization will position themselves to pursue significant value creation.

Questions to Guide Design Decisions

To tailor the design of a best-in-class M&A function, companies should answer five critical questions:

- What is the M&A function's role in the company? Does it reactively support ad-hoc decisions or proactively shape corporate strategy?
- What expected value and volume of deals do we need to realize in the next three to five years?
- Do we want to concentrate expertise on the M&A team or spread it throughout the broader organization?
- How do we anticipate creating value from M&A? Where do we fall on a continuum from purely financial value to deeply strategic value?
- What degree of independence or managerial oversight does the M&A function require in order to fulfill our ambition?

Deals Are Taking Longer to Close. How to Respond.

Dealmakers across the globe face intensifying challenges in structuring and executing transactions. Regulators in major jurisdictions, including the US, the EU, the UK, and Australia are adopting more aggressive stances. At the same time, countries are implementing protectionist measures that in many cases target specific industries. Against this backdrop, dealmakers must also cope with the uncertain implications of this year's elections. (See "A Year of Elections Heightens Uncertainty.")

Despite the regulatory and geopolitical risks, approximately 90% of deals worldwide proceeded to closing from 2018 through 2022. Nevertheless, uncertainty about timelines has factored into dealmakers' financial and strategic assessments. The heightened complexity of integration planning has taken a further toll on employees and other stakeholders.

A recent BCG study analyzed how these challenges affect the timelines and complexity of closing large M&A deals. The study produced three main findings:

- For deals larger than $2 billion, the period from signing to closing increased in the US and Europe from 2018 through 2022. On average, deals exceeding $10 billion in value took 27% longer to close than those valued between $2 billion and $10 billion.
- Approximately 40% of transactions took longer to close than the timeline estimated in the deal announcement.
- Transactions with higher announced synergies, either as a percentage of deal value or in absolute terms, took 30% longer than others to close.

A Year of Elections Heightens Uncertainty

Already in 2024, voters have chosen leaders and representatives in such economically important jurisdictions as the EU, France, India, and the UK—and the US elections are still to come. Market participants must grapple with uncertainty about the policies of incoming governments. This uncertainty affects businesses in areas that include not just the regulatory environment, but also potential changes in taxation, spending priorities, and industry-specific policies.

New governments might reassess trade agreements, impose tariffs, or renegotiate existing deals, creating a more unpredictable environment for cross-border transactions. Similarly, changes in antitrust enforcement, driven by new administrations' potentially more aggressive stances, could disrupt established practices in the sectors of big tech or biopharma or for large companies across industries. The result could be significant corporate reorganization through divestments or spinoffs.

The political orientation of new governments could have substantial consequences for market openness. Leaders with a protectionist agenda will seek to restrict market access for foreign investors and complicate cross-border M&A. Conversely, those preferring globalization will encourage deregulation and open markets, potentially stimulating M&A activity but also introducing volatility as policies shift.

Investors are closely watching the foreign policy implications of this year's elections, especially in light of existing global tensions. Evolving foreign policy priorities will significantly affect relationships between major economic powers, adding another layer of complexity for dealmaking.

Dealmakers must account for timing uncertainty in order to maximize deal value and the employee experience. This entails adapting their integration planning processes and priorities during both the presigning and integration planning phases.

Deals Are Taking Longer to Close

Globally, the period from signing to closing for deals exceeding $2 billion increased by 11% from 2018 to 2022, reaching an average of 191 days. We see some variation in the data across deal sizes. For example, the largest deals tend to take the longest to close, with timelines increasing by double digits. (See Exhibit 10.) There are also regional differences. For example, on average, deals with a European acquirer have the longest closing timelines, while those with a US buyer have the shortest—although timelines are increasing in both regions. (See Exhibit 11.) In contrast, overall timelines for Asia-Pacific dealmakers are decreasing.

In addition to discerning longer closing timelines, our analysis found higher termination fees. (See "Termination Fees Are Rising.")

Timelines Are Longer Than Expected

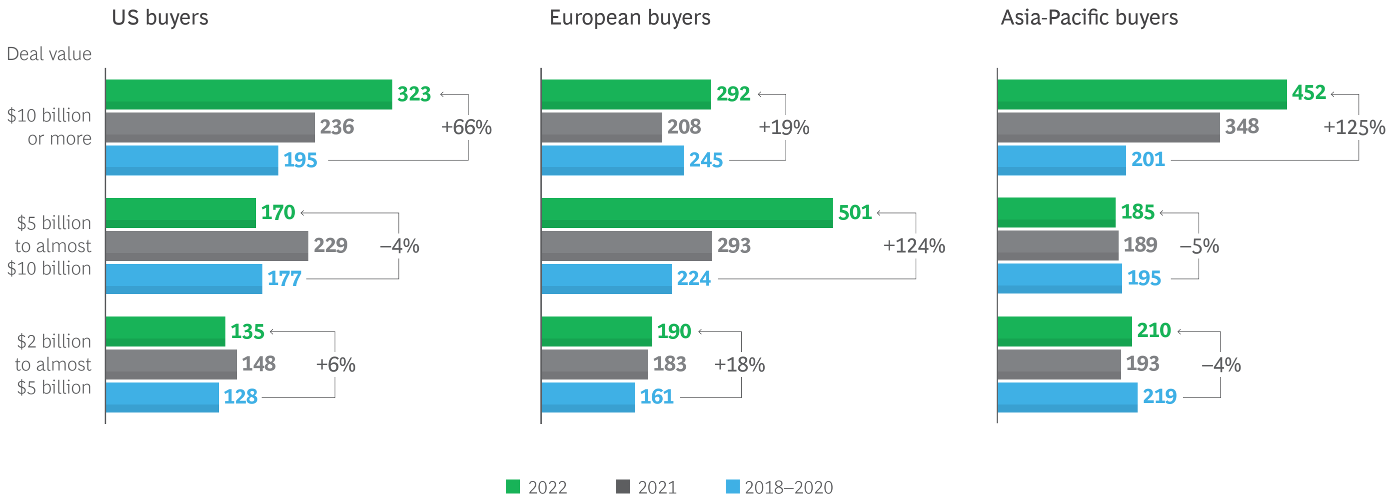
Our study also sought to understand how companies communicate estimated closing timelines and how these estimates align with actual outcomes. To gain insights, we conducted a generative-AI-based analysis of 175 documents published on the announcement day. These included both official deal announcements and transcripts of investor presentations. We applied a conservative interpretation of the announced closing timelines—for example, we interpreted "closing in Q1 2024" to mean closing by March 31, 2024.

We found that approximately 40% of deals did not close within the timeline specified in the documents. Almost two-thirds of these tardy deals required an additional three months or more to close. (See Exhibit 12.)

The most common reasons for the delays were regulatory issues and the complexity of deal structures. Our findings highlight the challenges that dealmakers face in accurately predicting the time frame from announcement to closing, effectively communicating this to investors, and successfully defining an integration plan.

Exhibit 10 - Closing Timelines Have Increased Since 2018, Especially for Larger Deals

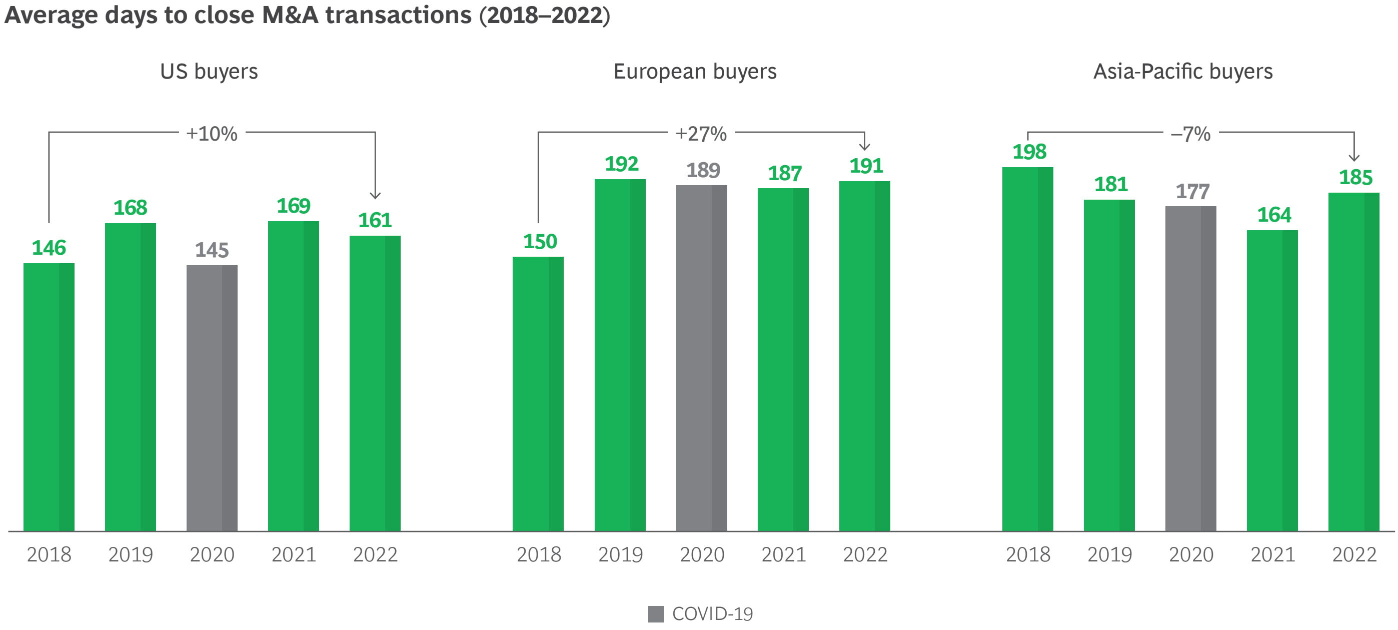
Average days to close M&A transactions, by transaction size (2018–2022)



Sources: S&P Capital IQ; BCG analysis.

Note: Data covers closed transactions valued at $2 billion or more, as of April 19, 2024. There were 432 deals with a US-based buyer; 133 deals with a buyer based in Europe (the EU, Norway, Switzerland, and the UK); and 128 deals with a buyer based in the Asia-Pacific region (Australia, China, Hong Kong, India, Japan, New Zealand, Singapore, and South Korea).

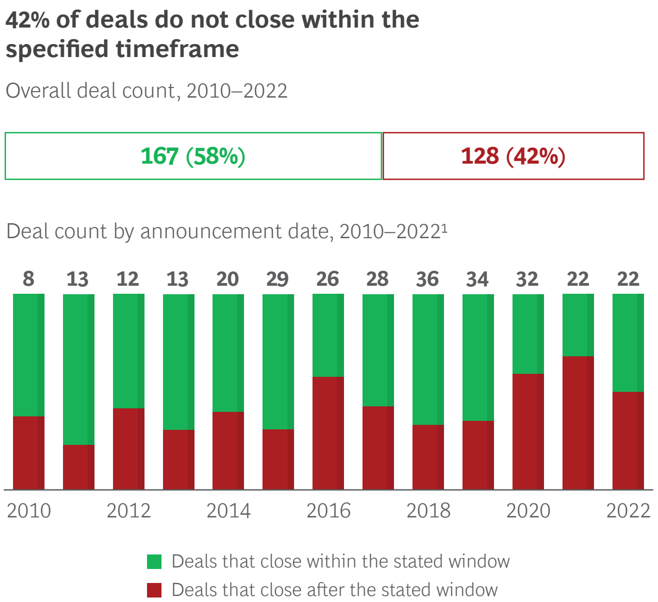
Exhibit 11 - European Buyers Had the Longest Closing Timelines Overall for Large Deals, and US Buyers the Shortest

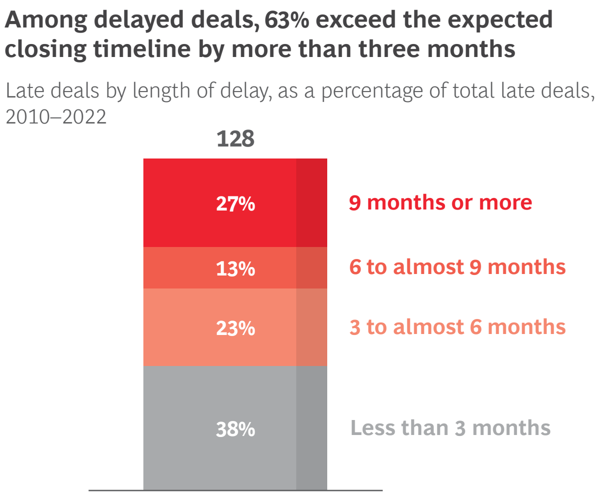


Sources: S&P Capital IQ; BCG analysis.

Note: Data covers closed transactions valued at $2 billion or more, as of April 19, 2024. There were 432 deals with a US-based buyer; 133 deals with a buyer based in Europe (the EU, Norway, Switzerland, and the UK); and 128 deals with a buyer based in the Asia-Pacific region (Australia, China, Hong Kong, India, Japan, New Zealand, Singapore, and South Korea).

Exhibit 12 - More Than 40% of Deals Were Delayed, and More Than Half of These Saw Long Delays





Sources: S&P Capital IQ; BCG analysis.

Note: N = 312 deals for the period 2010–2022 overall; of that number, 132 were delayed. Data includes only deals for which an announcement or call transcript identified the planned closing date. An AI-powered analysis assessed the announced closing time, assuming a conservative interpretation.

Termination Fees Are Rising

As an additional measure of how the deal environment is evolving, we looked at recent changes in termination fees (also known as break-up fees). Termination fees protect buyers and sellers financially if the other party does not close the deal. They also deter parties from backing out of a deal to pursue better opportunities or otherwise abandoning it without appropriate justification.

From 2021 through 2023, termination fees paid by US buyers reached approximately 4% of deal value, compared with 3% from 2016 through 2020. In contrast, termination fees paid by US sellers have remained relatively stable, increasing from 2.2% in the earlier period to 2.5% more recently. In Europe, buyer termination fees have been more volatile— peaking at 6% in 2022 before returning to the pre-pandemic level of approximately 3%.

The rise in US buyer termination fees reflects growing uncertainty around deal closing. Sellers are using their negotiating leverage to secure greater financial protection in case the deal they have entered into does not close—for example, owing to regulatory complications.

Higher Announced Synergies Correlate with Longer Timelines

Synergies generally are crucial for dealmakers because they indicate the financial value created by merging the two companies. Similarly, publicly announced synergies provide a way to communicate the deal's economic benefits and rationale to investors. Previous BCG research found that investors usually reward deals in which the parties include synergy estimates in the announcement because these figures provide insight into the magnitude of the potential value creation.

Is there a connection between announced synergies and closing timelines? Our analysis of 246 global deals confirms such a linkage. We measured announced synergies in two ways: as a percentage of total deal value and as the absolute amount of synergies estimated on the announcement day. For both metrics, we examined the top, middle, and bottom thirds of the data range.

Not surprisingly, in cases where the percentage of deal value and the absolute value of announced synergies were low, the average closing time was lower than the overall average. But as the relative and absolute synergy values increased—whether for each metric individually or in combination—the closing times rose to significantly higher numbers than the overall average. (See Exhibit 13.)

Several factors explain the relationship between synergies and closing timelines. Larger deals often have larger amounts of expected synergy, and such deals naturally take longer to close owing to their complexity and scale. In addition, higher absolute levels of synergy attract greater regulatory scrutiny, as authorities examine the sources of these advantages to test for compliance and feasibility. Feasibility inquiries may include evaluating whether the merger's perceived benefits are likely to outweigh the regulators' concerns. This more thorough examination creates the potential for delays, making close timelines uncertain.

Addressing the Uncertain and Prolonged Timelines

The delayed closing timelines that our study confirms introduce several risks that affect integration planning and execution. Chief among these are the slower pace and smaller magnitude of synergy capture, resulting from planning constraints, changes in deal parameters, or developments in markets over a longer time frame. Other common risks include higher costs for legal counsel and integration planning, inefficient resource use, and damage to employee morale during prolonged periods of uncertainty.

Exhibit 13 - On Average, Deals with Higher Announced Synergies Took Longer to Close

Average days to close, based on announced synergies

		Announced synergies as a percentage of total deal value		
		Less than 2%	2% to 4%	More than 4%
Announced value of synergies	Less than $100 million	**152** (N = 56)	**171** (N = 25)	**232** (N = 6)
	$100 million to $280 million	**198** (N = 16)	**233** (N = 28)	**198** (N = 33)
	More than $280 million	**282** (N = 10)	**277** (N = 29)	**274** (N = 43)

Difference relative to the average of 215 days to close:

More than 20% lower | 5% to 20% lower | Within 5% | 5% to 20% higher | More than 20% higher

Sources: Refinitiv; BCG analysis.

Note: Total N = 246. Includes only closed deals from 2018 to July 2024. Thresholds were determined based on 33rd and 66th percentiles of the data set.

Although the challenges are complex, dealmakers can navigate them effectively through early and thoughtful planning—both before signing the deal and during integration planning.

Presigning Phase. Dealmakers should develop strong internal processes and a clear M&A strategy through four critical activities:

- **View deals through a regulatory lens.** As they identify opportunities, dealmakers should aim to gain an early understanding of which deals may face regulatory or geopolitical obstacles. This is particularly important for the largest deals (those with a value of $10 billion or more). However, other deals could also face scrutiny from regulators in the current environment.

- **Build a diverse pipeline.** Companies can create options by building a deal pipeline that encompasses transactions across a range of likelihoods for regulatory scrutiny, avoiding overreliance on any single type of deal.

- **Specify options when challenges arise.** Deal participants should identify and detail possible remedies, and clearly define go or no-go scenarios for abandoning deals. For example, they might consider selling parts of the business that are likely to generate high regulatory scrutiny.

- **Plan for a more conservative financial model.** When modeling a deal, dealmakers should account for slower realization of synergies due to planning constraints and higher costs related to legal fees, integration planning, and other aspects of the deal that heightened scrutiny may affect.

Integration Planning. Companies should “go slow to go fast,” emphasizing meticulous planning to prepare for rapid and successful integration:

- **Set clear priorities early.** Dealmakers need to articulate clear integration priorities, coordinating the activities of the buyer’s and seller’s teams. They should launch integration teams in a strategic sequence to maximize value while avoiding excessive costs and preventing deal fatigue among participants as the work progresses. For example, they can prioritize teams that focus on technology integration planning and realizing quick wins on synergies. It is wise to approach the integration as a marathon, not a sprint.

- **Take a conservative financial stance.** To avoid overreliance on early synergies, companies should adopt a more conservative public financial stance than businesses typically observe in deal announcements. They should strive to ensure that internal targets, while aggressive, allow for the possibility that the business environment may evolve in ways that could reduce synergy opportunities, particularly for revenue.

- **Communicate frequently with employees to maintain morale.** Companies should keep employees who are involved in the integration informed about priority topics and the program’s evolution. They should explain any planned work stoppages that are necessary to comply with regulatory requirements or to facilitate regulatory reviews and approvals. They should also regularly remind all employees of the deal’s benefits, the future vision for the combined entity, and the importance of collaboration between the buyer and the seller.

Recent and proposed regulatory changes highlight that policymakers are significantly revising their approval standards and altering the playing field for future deals. We are seeing longer closing periods, greater uncertainty about approvals, and a need for additional remedies. Dealmakers will feel the impacts of these changes throughout the M&A life cycle and must respond accordingly, from rethinking how they build a deal pipeline to negotiating and planning execution. These challenges are likely to intensify as new guidelines come into effect. In this rapidly evolving environment, successful dealmakers will be more persuasive in pitching deals to target companies and more skillful in navigating the risks and complexities of heightened scrutiny.

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